BUDGET MANAGEMENT IN SELF-GOVERNMENT – POLISH CASE

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Abstract:
Changes in the environment, common criticism, and negative opinions regarding the operation of the local self-government, combined with crisis of trust towards its representatives, force the managing bodies to undertake specific actions aiming at improving effectiveness. However, this is impossible without a modern management system, an element of which should be self-government territorial unit budget.
The aim of the paper is to present the rules of building the budget (traditional budget) currently in force in Poland and task-based budgeting as a modern budget management method, the introduction of which may contribute to the increase of effectiveness of self-government territorial units' operation.

Key words: *budget, self-government territorial units finance management, budgeting methods*

1. Introduction

Effective self-government operation management is becoming more and more important in Poland. Profitable effects are not possible without a modern management system. Practically, this means exploring and introducing methods and tools that allow public tasks to be implemented and developing self-government sector entrepreneurship in a broad sense in the most effective manner. As stated by E. Wojciechowski (1998), local authorities have to change or improve their methods of actions by choosing new solutions and abandoning traditional manners of thinking. According to the author, in this sense, management should be planned and implemented responsibly and professionally. The actions of self-government authorities should base their actions on management theory and the concept of *new public management* (cf. *Nowe zarządzanie* …. 2009, *Administracja*… 2008, Shah 2007, *Budgeting*… 2007, *Budżet* 2002, *Budżet* 2000, Filas, Piszczek, Stobnicka 1999, Putnam 1993). An important element of this system should be self-government territorial unit budget. Each self-government territorial unit prepares its annual budget in accordance with the Public Finance Act (Act dated 27/08/2009 on Public Finance, Journal of Laws of 2013, item 885, as amended). The current Polish planning and budget reporting system does not contribute to the better use of public resources, including effectiveness measurement. Legal requirements are very often aimed at the control function, i.e. assessing whether implementing bodies of a self-government territorial unit are spending more than the amount adopted by the council. However, this is not enough for effective management. The self-government territorial unit budget can serve as a management tool only if it has been accurately prepared, so that the material and financial effects can be compared over time.

The aim of the paper is to present the rules of constructing task-based budget - a methodology elaborated in Poland, originating from the programming budget, but with many features of a result budget, as a tool that might be used not only for control, but also for self-government territorial unit finance management, communication with local community, and assessment of the effectiveness of spending of public resources.

2. Traditional budget (line-item-budget)

In a monetary economy, for an entity, having a budget is a condition of achieving goals and implementing tasks. The analysis of functions of budget defined as a form of organisation of financial resources management leads to a conclusion that it is an institution (a tool) that might be used for managing a given entity (*Budżet* 2002, p. 31).

The literature describes the attributes of a good, modern budget. Among them, the following are worth mentioning: transparency of the intentions of public authorities, presentation of financial results of these intentions, presentation of the relations between tasks and their quality standards, ability to control and monitor budget expenses, motivation system for the executors of tasks (cf. *Budżet*… 2002). Numerous functions of the

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budget which should be fulfilled, particularly management function, financial policy of a self-government territorial unit, and communication with local community, are also indicated. Features such as clarity, understandability, and transparency of the provisions are important for the ability of actual and complete fulfilment of the transparency principle (Filas, Piszczek, Stobnicka 1999).

The budget of a self-government territorial unit is a basic instrument of its finance management and, as an annual financial plan, being an expression of its potential management policy, is a base for decisions and delineates the directions for self-government's actions in particular disciplines.

The significance of annual planning and budget is mentioned by K. Pakoński (2000), who emphasises the management function of the budget, or M. Dylewski (2007), who claims that budget as a finance management tool is linked with collecting and spending public resources in a way that provides maximum effect not only on the economic, but also on the social level. In practice, the budget of a self-government territorial unit, due to diversity of its contents and features and to the use of different construction methodologies, has diverse kinds and types that attests its usefulness in self-government territorial unit operations management.

Based on the contents and functions, the following main types of budget can be distinguished:

- budget of needs and capabilities (model),
- material budget,
- cash budget,
- task-based budgeting,
- performance budgeting,
- zero-based budgeting,
- traditional budget (line-item-budget). (cf. Dylewski 2007, *Budgeting*… 2007, Shah 2007, Cokins 2007, Shah and Shen 2007, *Budżet*… 2002, *Budżet* 2000).

In Poland, the traditional budget (line-item-budget) is in effect on a local level. Its characteristic feature is its form of tables containing revenue and expense lines on different levels of detail, based on budget classification[1]. Therefore, it is called a line-item budget. It is the most popular form of budget, used widely by all self-governments and countries in the world. It focuses on goods and services to be purchased. Its structure is organised based on budget items, i.e. defined budget classification sections using the object-expense approach.

This approach does not provide the possibility to properly allocate financial resources, as it does not have a mechanism verifying the directions of money flow with the assumptions adopted based on a long-term self-government territorial unit policy. Moreover, it does not provide the decisive bodies with information necessary from the perspective of management effectiveness. It performs mainly the control function. (Piszczek (in:) *Budżet*… 2002).

According to the Act, the budget is defined as an annual plan of incomes, expenses, revenues and expenditures of a self-government territorial unit. Apart from the information on planned incomes and expenses, the budget indicates the sources for addressing deficit and the paths of management of the surplus.

As M. Kosek-Wojnar and K. Surówka (2002) state, the notion of a budget should be considered in three aspects:

- as a decentralised fund fulfilling the needs of local community,
- as a financial plan within which local community funds are collected and its tasks implemented,
- as a legal act adopted by the highest representative body of a self-government, authorising the executive body to collect revenues and execute public spending.

A self-government budget is a general fund. For purposes of better management and more effective planning, it is divided into the current budget and the investment budget, as these two categories have different objectives. Current expenses serve for fulfilling local community needs in the near future (i.e. the financial year), whereas the effects of investment expenses will be noticed by the local community in the future. Therefore, the budgeting plan allocates a different source of revenues for each type of expenses.

Both legislative and executive authorities take part in budget procedure of a given self-government level. Budgets adopted by representative bodies of self-government authorities set the limits of self-government financial economy.

The current Act introduced two new provisions that influence the way of constructing the budget significantly. Their introduction aimed at improving liquidity and solvency management of self-government

[1]Budget classification is a set of sections (marks) for basic budget categories set by the Regulation of the Finance Minister dated 2 March 2010 on Detailed Classification of Incomes, Expenses, Revenues and Expenditures, as well as Resources from Foreign Sources. (Journal of Laws of 2014, item 1053, as amended). According to the budget classification, the budget is divided into: parts, sections, chapters, and paragraphs. A part means the administrator of budget resources (e.g. ministry, province), section corresponds with national economy sections (e.g. industry, construction, science, health services), chapters corresponds with tasks and entities (such as education and care centres, primary schools), paragraphs correspond with prime costs (e.g. salaries, electricity, materials) or types of budget revenues (e.g. real estate tax, value added tax).

territorial units. The first one, resulting from Article 242 of the Public Finance Act, according to which the legislative body of a self-government territorial unit cannot adopt a budget in which current expenses are higher than the planned current revenues plus the surplus from previous years and spare funds referred to in the Act[2] (Journal of Laws of 2013, item 885, as amended). The second provision is connected with individual debt ratio of a self-government territorial unit introduced as of 1 January 2014. The new, normative approach to the debt ratio is referred to in Article 243(1) of the Public Finance Act (Journal of Laws of 2013, item 885, as amended), according to which a self-government territorial unit cannot adopt a budget the implementation of which leads to a situation when in the current fiscal year and in every next year the relation between the overall amounts of:

- repayment of credits and loans together with due interest,
- purchase of securities together with interest and discount,
- potential repayment of amounts resulting from sureties granted and guarantees to planned revenue, and the overall budget is higher than the arithmetical average of the relation between current revenues plus revenues from sale of assets minus current expenditures and overall budget revenues for the past three years, calculated using the following formula:

$$\left[\frac{R+O}{D}\right]_n \leq \frac{1}{3} * \left[\frac{Db_{n-1}+Sm_{n-1}-Wb_{n-1}}{D_{n-1}}+\frac{Db_{n-2}+Sm_{n-2}-Wb_{n-2}}{D_{n-2}}+\frac{Db_{n-3}+Sm_{n-3}-Wb_{n-3}}{D_{n-3}}\right]$$

where particular symbols mean:
R — total amount from the repayment of credits and loans referred to in Article 89(1), points 2–4 and in Article 90 planned for the fiscal year, and from the purchase of securities, which fulfil the aims set out in Article in points 2–4 of the Article 89(1) and in the Article 90[3],
O — interest from loans and borrowing referred to in Article 89(1) and Article 90 planned for the fiscal year, interest and discount from securities issued for purposes defined in Article 89(1) and Article 90, and repayment of amounts resulting from sureties granted and guarantees,
D — total budget revenues in a given fiscal year,
Db — current revenues,
Sm — revenues from sale of assets,
Wb — current expenses
n — fiscal year for which the relation is being determined
n-1 — fiscal year prior to the year for which the relation is being determined
n-2 — year two years before the fiscal year
n-3 — year three years before the fiscal year
The construction of the indicator itself has been widely criticised. The reservations concern mainly the way of calculating operational surplus (difference between current revenues and current expenses), basing the calculations on historical data, or the inability to include the economic situation. According to E. Kornberger-Sokołowska (2015, p. 40), making the possibility of borrowing conditional on the ability to develop current budget surplus and asset selling was not connected with sufficient decisiveness of a self-government territorial unit when it comes to the results. Moreover, there are many exclusions from debt limit (within the debt limiting system in force) and instruments for off-balance-sheet financing of investments that stay outside the limiting system. However, it is clear that despite the aforementioned imperfections of the system, a step in the right

[2] I.e. Article 217(2), point 6, which defines spare funds as a surplus of monetary funds on the current account of self-government territorial unit budget resulting from the settlement of issued securities, credits and loans from previous years.
[3] These articles concern general rules of borrowing by financial sector entities other than the State Treasury. Article 89**.** 1. Self-government units may take out loans and borrowings and issue securities for: 1) covering a temporary budget deficit of a self-government territorial unit during the year; 2) financing a planned budget deficit of a self-government territorial unit; 3) payment of liabilities incurred by issuing securities and loans and borrowings, 4) advance financing of actions financed by the European Union budget. 2. Loans, borrowings, and securities issued intended for the purpose referred to in Paragraph 1(1) are to be repaid or redeemed in the year they were taken out or issued. Article 90 states that for financing investments and investment purchases within the undertakings referred to in Article 226(3), self-government territorial units may borrow money from national specific purpose funds, if the Act establishing the fund states so. The aforementioned Article 226(3) refers to the Annex to resolution on long-term financial forecast in which for each undertaking understood as a long-term programme, project, or task, the following elements are defined: 1) name and purpose; 2) organisational unit responsible for implementation or coordination of the task; 3) period of implementation and annual financial outlays; 4) expense limits in each year; 5) liabilities limit.

direction has been made, allowing more effective self-government territorial unit debt management and a more individual approach to debt calculation[4].

Budget management on an annual basis is very important not only from the viewpoint of task implementation, connected with receiving the approval by the executive body or not, but in particular because the relations between particular budget categories, such as total revenues and current budget expenses, indicate the level of gross spare funds[5] (net after subtracting debt servicing costs) that are used as a base for investment tasks planning. (cf. Cichocki 2001)[6]. Only a thoroughly planned annual budget can indicate ways of saving money, an alternative, better way of implementing a task, or methods of obtaining better productivity or effectiveness parameters. Finally, it allows for the precise monitoring of the results of expenses. Perfecting budget planning methodology, in particular when it comes to current expenses, which — as the latest research shows — not only increase, but also become inflexible, determining the abilities of self-governments to finance the development, would improve the effectiveness of self-government territorial unit management (cf. *Budżet* 2002, Lubińska 2009, Borowik 2013, Piotrowska-Marczak 2013, Piszczek 2016).

Tables 1–5 below present the basic categories of total revenues, total expenses, and current expenses for all self-government territorial units in Poland (Table 1) and for all types of said units, i.e. municipalities (Table 2), district-based cities (Table 3), districts (Table 4), and provinces (Table 5). The basic ratios of current expenses to the total budget expenses and current revenues to the total budget revenues were calculated. These calculations confirm the thesis regarding high share of current expenses in the total budget expenses, which should really concern management bodies and be the first field of savings. The ratio is circa 80%, 90% in the case of districts. It is worth emphasising that in some cases in particular self-government territorial units the value is even more. The ratio of current expenses to the total budget revenues is similar, which is a result of small differences between the current expenses and the total budget revenues.

In the case of provinces, cf. Table 5 (there are 16 provinces within 2,875 self-government territorial units in Poland), the indicator is the lowest (ca. 60%), as the task structure is different and provinces are responsible for regional development.

Table 1 Total revenues, total expenses, and total current expenses in billions PLN for all self-government territorial units in 2012–2015

billion PLN	2012	2013	2014	2015
total revenues TR	177.30	183.46	194.34	199.02
total expenses TE	180.46	183.84	196.75	196.40
current expenses CE	144.78	148.82	155.61	157.85
CE / TE	80.23	80.95	79.09	80.37
CE / TR	81.66	81.12	80.07	79.31

Source: author's calculations based on data from the Ministry of Finance

Table 2 Total revenues, total expenses, and total current expenses in billions PLN for all municipalities in 2012–2015

billion PLN	2012	2013	2014	2015

[4] Until the end of 2013, the formula in effect was the following: WZU = (DU/DB) x 100**,** where**:** WZU — is the overall debt indicator according to the Public Finance Act, DU — the total amount of the self-government territorial unit debt at the end of a fiscal year (outstanding balance)**,** BD —self-government territorial unit revenues in a given fiscal year. The value of the overall debt indicator could not be over 60% of the self-government territorial unit budget revenues and was the upper limit of indebtedness of the units. Another normative regulation was the regulation setting the limit of debt servicing at 15% of territorial unit revenues planned for a given fiscal year (12% in case of redevelopment)

[5] In long-term financial planning and long-term investment planning methodology spare gross and nett funds are not identical with the spare funds defined in Article 217(2), point 6, but are an economical category defined as overall budget revenues minus operational expenses = gross spare funds. Gross spare funds minus debt servicing costs equal net spare funds. These categories serve as a basis for investment planning, obtaining new borrowings and repaying the old ones. Therefore, they set the possibilities of development task financing by a self-government territorial unit.

[6] More information on annual, mid-term and long-term planning, including capital expenses planning in: *Beyond*… (2013), *Budgeting* (2007), Wigfall and Lynch (2003), Steiss (2003), Fleeter and Walker (2003), Khan (2002).

total revenues TR	78,40	80,04	84,55	87,67
total expenses TE	78,50	79,44	85,07	85,94
current expenses CE	64,30	66,27	69,2	71,46
CE / TE	81,91	83,42	81,34	83,15
CE / TR	82,02	82,80	81,85	81,51

Source: author's calculations based on data from the Ministry of Finance

Table 3 Total revenues, total expenses, and total current expenses in billions PLN for all district-based cities in 2012–2015

billion PLN	2012	2013	2014	2015
total revenues TR	61,20	64,22	68,26	70,56
total expenses TE	63,70	64,95	69,66	69,82
current expenses CE	51,00	52,53	55,1	56,93
CE / TE	80,06	80,88	79,10	81,54
CE / TR	83,33	81,80	80,72	80,68

Source: author's calculations based on data from the Ministry of Finance

Table 4 Total revenues, total expenses, and total current expenses in billions PLN for all districts in 2012–2015

billion PLN	2012	2013	2014	2015
total revenues TR	22,50	23,08	23,78	23,68
total expenses TE	22,50	22,92	23,78	23,44
current expenses CE	19,68	20,06	20,92	20,02
CE / TE	87,47	87,52	87,97	85,41
CE / TR	87,47	86,92	87,97	84,54

Source: author's calculations based on data from the Ministry of Finance

Table 5 Total revenues, total expenses, and total current expenses in billions PLN for all provinces in 2012–2015

billion PLN	2012	2013	2014	2015
total revenues TR	15,20	16,12	17,75	17,11
total expenses TE	15,76	16,53	18,24	17,2
current expenses CE	9,80	9,96	10,39	9,44
CE / TE	62,18	60,25	56,96	54,88
CE / TR	64,47	61,79	58,54	55,17

Source: author's calculations based on data from the Ministry of Finance

Basically, in the case of the current structure of budgets, 80% of which, in some cases even 90%, are usually current expenses, plus necessity to follow the requirements referring to the liquidity and solvency management, the only alternative leading to the improvement of the financial condition of self-government territorial units and its precise estimate, is preparing a structure that would allow comparing similar units by type and economy (tasks) over time. It would also allow for a more effective allocation of financial resources, and in consequence, monitoring the full total cost of the tasks.

A tool that is perfect for annual planning and fulfils the criteria described above is task-based budget, which can be also used for planning in a longer perspective.

3. Task-based budget

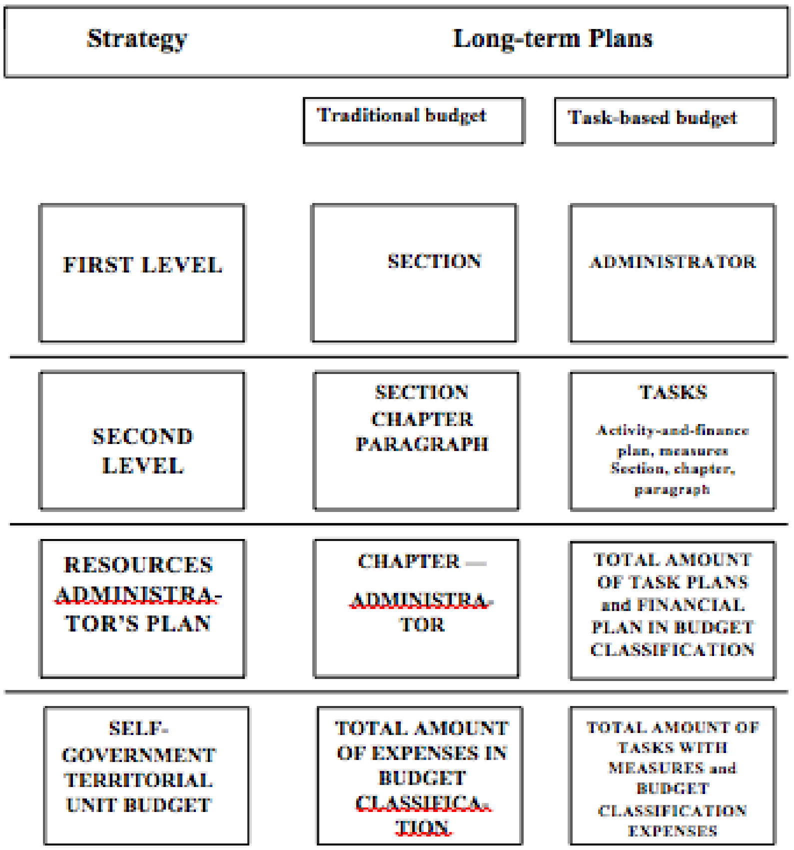
In Poland in the mid-1990's, a tendency to use a task-based budget, which, as it was mentioned before, originated from the programming budget, occurred. The task-based budget has its roots in Kraków, which was the first Polish city to notice the need to reform its structures and management methods. The works started in 1992-1993, and 1997 was the first year in which the budget contained information about tasks for the Kraków City Council departments, but also for other organisational units of the municipality. Since 1996, the method has been widely promoted among Polish self-governments within the activities of the Municipal Development Agency — office in Kraków[7].

A task-based budget is a self-government territorial unit financial plan, in which the administration prepares detailed activity-and-finance plans for the administrators before classifying the predicted expenses in accordance with the budget classification in effect (*Budżet* 2000, p. 16).

A budget task is a basic budget structure unit, internally coherent and representing quite uniform actions. For these tasks, the total cost is calculated and appropriate responsible persons are assigned. (Filas, Piszczek and Stobnicka 1999).

On the one hand task planning requires estimating self-government territorial unit's financial capabilities, and preparing a set of particular planning data for the resource administrator or the person responsible for implementing the task on the other. It is a very important stage of the process of planning the budget, which has to be well managed and requires some formalisation, i.e. using appropriate tools and procedures. On the Figure 1 below, levels of resource allocation depending on budgeting method are presented.

Figure 1 Levels of resource allocation in traditional and task-based budget



[7] Works on the methodology and its promotion were held within the Municipal Development Agency — State Treasury Foundation, established in 1995. The Agency worked also on elaborating and promoting other techniques, such as tools for long-term investment planning, long-term financial planning, community services restructuring. Many self-government cooperated with the Agency back then. Main resources came from USAiD assistance programmes and the Cooperation Fund. Other Polish cities were also introducing the task-based budget. Among them were included big cities, such as Łódź and Gdynia, middle-sized ones, e.g. Ostrów Wielkopolski, or small municipalities such as Lipnica Wielka or Rejowiec Fabryczny. Between 1996 and 1999, over 300 Polish self-governments were trained. The experiences of Kraków, also in methodology formation, played a crucial role. The city uses the task-base budget for many decisions still today.

Source: Authors on the basis of *Budżet* 2000

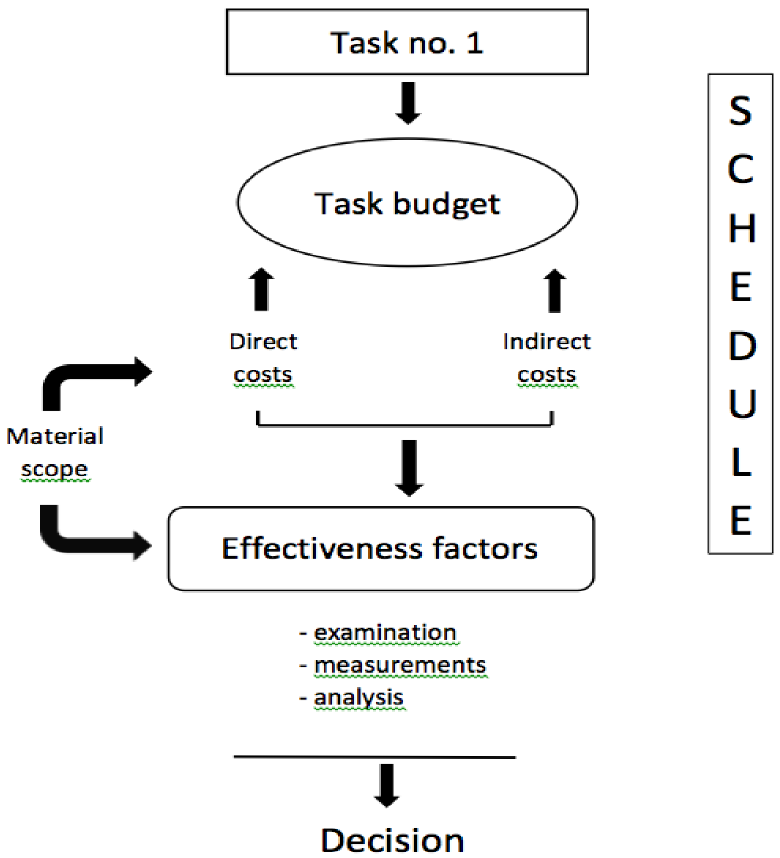
The traditional method (line-item budget) and the task-based budget were compared.
In the traditional budget, budget preparation starts with collecting applications regarding the demands of administrators, council committee, etc. Usually, the total amount is way over the financial capabilities of a self-government territorial unit. Therefore, the treasurer, based on expenses estimates from the previous year, determines the amounts in a particular section (Level 1) and divides them between the administrators in the chapters (Level 2). On both levels, budget planning mainly concerns spending resources without precise regard to consequences of the actions to be achieved as a result of the expenses.

The task-based budgeting process requires the administrators to include estimated amounts they will obtain (Level 1). As a result of planning, the administrators propose tasks (Level 2), indicating the objective, the scope of works, and appropriate resources for each of them (Budżet 2000, p. 21).
Task planning is a process of indicating what, how, by whom, and when should be done. There are different types of tasks:

- internal
- external
- permanent
- annual
- investment
- direct, and
- indirect.

What is important from the perspective of the possibility of choosing the most effective solution from multiple options is the calculation of total costs, including direct and indirect costs, for each task. Moreover, different parameters, such as material scope with measures, implementation plan (schedule), and effectiveness indicators, are assigned to each task. It allows a rational decision and the most effective resources allocation possible. Figure 2 presents a graphical representation of this problem.

Figure 2 Budget task construction elements



Source: Filas, Piszczek, Stobnicka (1999), p. 23

Task management is comparable to project management, as each task is treated as a sort of project, to which a person responsible for its implementation and financial resources are assigned, duration is indicated, if necessary, subsequent stages of implementation are described, and, finally yet importantly, the desired effects are defined.

Introducing the task-based budget to a self-government territorial unit as a finance management tools may deliver a range of measurable effects in form of financial savings and improved financial management effectiveness. Moreover, it is worth mentioning that the task-based-budget provides more opportunities for fulfilling certain functions. It is a tool for management, self-government territorial unit financial policy implementation, and communication with local community, which allows better fulfilment of the transparency principle. Advantages stemming from the change in resources allocation, budget planning, or using some market mechanisms to evaluate the tasks are also very important. Allocating based on objective assessment criteria based on thorough calculation of the unitary cost for each project, which is the opposite of the tendering and discretionary way of allocating resources or output management, allows for comparing costs and selecting the best offer. A correctly introduced task-based budget can improve self-government territorial unit operations, allow for savings and better effectiveness. (Filas and Piszczek 1999).

M. Borowik (2013, p. 21) states that the task-based budget is a tool allowing for the integration of multiple tools into one coherent management system. The author lists quality management systems (e.g. ISO 9001, *CAF – Common Assessment Framework*), strategic planning, monitoring, evaluation, long-term financial planning, risk management, internal audit, internal control, results measurement systems (e.g. Strategic Balanced Scorecard), and cost accounting among these tools.

This once again confirms the thesis that the task-based budget is a multidimensional tool, and its implementation, apart from the aforementioned advantages may not only contribute to better use of financial assets of a self-government territorial unit, but also serve as a base for construction of an evaluation or motivation system for employees, quality monitoring, or risk management.

During the works on elaborating and perfecting its methodology, ten integral elements characterising the task-based budget system were identified and defined. In order for the new budget type to be effective, the following conditions have to be met:

1. budget construction reflects priorities adopted for a given year,
2. budget project is based on detailed task plans elaborated using uniform rules, with the total cost equal to the total expenses in the budget classification,
3. amount and directions of expenses result from clearly defined and parametrised objectives,
4. all budget tasks have total cost calculation and other parameters such as material scope, implementation plan, and effectiveness indicators.
5. the accounting system of self-government territorial units and their subsidiaries is adjusted to reporting and accounting costs of particular tasks,
6. reporting consists of comparing the expenditures and the results achieved in a given reporting period,
7. within self-government territorial unit organisational structure and its office, responsibility can be delegated to the level of those responsible for the implementation of particular tasks,
8. a budget document provides a large group of receivers with access to information and ability to evaluate the assumptions of the decisive body,
9. the entire self-government territorial unit budgeting process is regulated by adopted procedures and tools rationalising and objectifying self-government territorial unit finance management process,
10. decisive bodies identify with the goals of the reform and provide due assistance.

One of the most important requirements of the success of the budget reform is gaining support from persons managing self-government territorial units. The second requirement is understanding and skilful application of the information generated by task-based budgeting system by people managing it. Contrary to popular opinion, gaining appropriate knowledge allowing local decisive bodies to use that information is a long and difficult process. Therefore, it is important for people exercising authority on local level to have or be able to obtain appropriate qualifications.

Despite its many advantages and intensive efforts to promote it in the 1990’s and later, the task-based-budget is rarely used in planning. A survey carried out by the Ministry of Finance in 2013 confirmed little interest in task-base budget and showed poor quality of short-term planning in self-governments. [8] (www.mf.gov.pl). This problem cannot be ignored. M. Poniatowicz (2014, p. 12) comes to a similar conclusion,

[8]More information about Polish budget reform in: Filas, Levitas, Piszczek (2002).

stating that "the progressing process of application of the instrument of modern local finance management is highly dysfunctional, which limits the effectiveness and efficiency of the activities of the self-government." She points out that without systemic reform of self-government finance, improving the processes of implementing modern pro-efficiency instruments of financial management, the permanent improvement of economic condition of self-government territorial units is not possible.

On the state level, a task-based budget is an obligatory requirement, in effect for years. Based on the methodology of task-based-budgeting and 2008 guidelines of the "Budget Note"[9], the first version of task-based-budget for government sub-sector was created and published in the explanatory note to the budget Act of 2008. There are no regulations obliging self-governments to use the task-based-budget though. It is a pity, as it would mobilise Polish self-government to improve their planning methods and ways of using their limited financial resources.

4. Conclusion

Taking the experiences of Polish self-government territorial units, including national budget experience and budget reforms conducted in many countries into account, it has to be stated that:

- a budget can be used as a tool of self-government territorial unit potential management,
- a budget can be used to implement financial policy and improve communication with local community,
- in order for the budget to exercise functions other than the controlling function, an appropriate construction, e.g. task-based, is necessary,
- task-based-budget construction fulfils the provisions regarding the principle of transparency of public finance,
- a budget can generate management information regarding the stage of development of objectives and tasks, as well as unit cost of tasks and services,
- task-based-budget construction allows for assessing the actions of self-government territorial units and may serve as a base for construction of evaluation and motivation system of self-government employees including management bodies,
- a task-based budget provides more efficient financial resources allocation, allows for the initial assessment of alternative ways to meet objectives at the plan elaboration stage, connecting objectives and financial resources at the task level,
- a task-based budget requires standardising the planning process on all levels and in subsidiaries of self-government territorial units,
- other stages of management, particularly the implementation of tasks, monitoring the development of works, and reporting, also require standardising,
- self-government authorities have to understand and support reform assumptions in order for the reform to succeed,
- making a task-based-budget obligatory for self-government territorial units is worth taking into consideration. It would improve the quality of planning the majority of self-government territorial unit budgets and unify the approach to planning both in the state budget and in self-government territorial units. Moreover, other goals, such as management by objectives, improved effectiveness and the efficiency of administration, controlling, etc., would be achieved.
- introducing an *explicite* provision that the managing body of a self-government territorial unit is responsible for the efficiency of expenses is also worth considering, as it would positively affect and strengthen the provision of Article 44(3), point 1 of the Public Finance Act[11],
- control of effectiveness research may be assigned to a competent audit committee of self-government territorial unit council (minimum requirements regarding competences of the members are necessary!), Regional Chamber of Auditors or an internal or external auditor.

Budget reforms introduced in different countries have shown that the budget can play many management roles, provided it is constructed appropriately. It seems a good moment to summarise what has been achieved in budgeting thus far and take steps to continue the reforms. In particular, as last year was the 25th anniversary of self-government restitution.

[9] "Budget Note" refers to the Regulation of the Minister of Finance regarding rules, procedures, and time limits for the elaboration of materials for the State Budget Act.

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