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The Solidarity Fund in Poland: An Unfavourable Example of External Budgetary Fund Use and Transparency Issues*

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Abstract

The Solidarity Fund is one of 40 goal-oriented external budgetary funds within Polish public finance system and one of several established to provide support for people with disabilities During its first few years of operation, obligations were imposed on it for political rather than solidarity-related reasons. At present, there is a lack of research in Polish literature on the effectiveness of the Solidarity Fund's operations in relation to its core statutory obligations. The analysis carried out indicates that transferring the responsibility for financing the 13th and 14th cash benefit from the Solidarity Fund to the Social Insurance Fund (FUS) will strengthen its influence on disability and care policy; however, it will not remain without a (negative) impact on the transparency and stability of the public sector. The material used for the analysis presented in this article consisted of legal acts, Sejm papers, explanatory memoranda, opinions of institutions and experts presented in the course of legislative work. The article employs the methodology of document analysis, desk research, and a critical case study, with the chronology of the creation of documents up to end of 2025.

Keywords: Solidarity Fund, budgetary funds, disability policy

Introduction

At a time when the government was actively seeking public support through cash transfers, the Solidarity Fund for Support of Disabled Persons (now the Solidarity Fund), established in October 2018, became a source of financing for the so-called 13th and 14th pension and one of the tools to mask the problem of the public finance sector deficit. Although the Fund's main goal was to provide additional support for people with disabilities, its ultimate function is to primarily finance one-off benefits, paid on annual basis, for old-age and disability pensioners beyond all the principles of the social policy, which, as a result, weakens the existing system of labour market protection. The article signals a critical analysis of the successive stages of the legislative process and the gradual expansion of the Fund's tasks and the impact of these changes on its financial management. The aim of the study is to present the consequences of the implementation of (politically-driven) ad-hoc instruments both for the financial management of budgetary funds and its impact on the debt of the entire sector.

Development of Tasks

The Solidarity Fund for Support of Disabled Persons (SFWON) was established by the act of October 23, 2018 . The memorandum to the act (Sejm paper 2848, 2018) defined that the it would be a state special-purpose fund without legal personality, which would be aimed at providing additional social, professional or health support for people with disabilities. The document indicated, that the currently available support for vocational and social activation was insufficient. Art. 6 of act states: "The resources of the Fund shall be allocated to the implementation

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of: 1) government and departmental programs, [...], including those covering the implementation of own tasks of local government units in the field of supporting disabled people; 2) tasks related to the promotion and support of the support system for the disabled; 3) tasks in the field of innovative solutions for the support of disabled people". In turn, Art. 9 of the act, left the door open for changes, authorizing the minister responsible for social security to finance new tasks, not provided for in the financial plan, if they were introduced by an act.

The first extension of the Solidarity Fund's tasks took place in July 2019, under the Act on Ensuring Accessibility for Persons with Special Needs (Journal of Laws of 2019, item 1696). This act established another fund - the Accessibility Fund. The resources of the fund are allocated to the implementation of tasks supporting the activities aimed at ensuring accessibility for people with special needs or its improvement, in particular in public buildings and multi-family housing. Apart from EU funds and subsidies, the fund is supported from the State budget, mainly through the revenues from the Solidarity Fund

Another development of the Solidarity Fund task catalogue took place through the adoption of the Act on Supplementary Benefit for Persons Incapable of Living Independently (Journal of Laws of 2019, item 1622). Providing this benefit was the fundamental obligation of the government following the protest of parents of disabled persons and, referring to the 2018 press enunciation, the fundamental premise for the establishment of the Solidarity Fund. The act provides a benefit for persons with total incapacity for work and independent existence.

In November 2019, the Sejm received a parliamentary bill amending the Act on the Solidarity Fund for Support of Disabled Persons and Other Acts (Sejm paper 13, 2019). The main changes proposed in the presented draft were: changing the name to a simpler one, the Solidarity Fund (SF), and "introducing the possibility of granting financial support to other social groups – old-age and disability pensioners". Thus, the scope of tasks was extended for the third time: the Fund was expected to finance a one-off cash benefit (so called 13th "pension"), paid on annual basis, for old-age and disability pensioners together with handling costs, as well as (instead of direct financing from the state budget) a social pension. By the government decision taken on February 25, 2020 (Sejm paper 280, 2020) the 14th "pensions" will also be paid in 2021 . However, they will be different from the so-called 13th month payments (universal benefit), because in their case the income criterion will apply.

The Solidarity Fund is off budget one. After the change of the political system in 1989 the external budgetary funds were considered as unwanted and not compatible with the obligation of transparency. It was expected that the number of funds would be reduced to a minimum. Unfortunately they number remains significant. What's more there are several funds dedicated to overlapping areas of social welfare, social rehabilitation or long term care. The State Fund for Rehabilitation of Disabled Persons (PFRON) focused on labour market and rehabilitation, the Accessibility Fund dedicated to physical accessibility of public areas, the Prevention and Rehabilitation Fund which supported farmers in the area of medical rehabilitation, and last but not least the Social Security Fund responsible among others for old age and disability pensions. Some of these funds are interdependent: the Accessibility Fund is funded exclusively by the Solidarity Fund, at the same time the main source of the Solidarity Fund is another external fund which is the Labour Fund.

The Solidarity Fund as the source of support for persons with disability and their carers is a very interesting concept taking into consideration that there are only four such funds around the world (except Poland in Belgium Australia and Ghana) it is even invite innovative. Unfortunately it was not created as an intended element included into the system of disability policy because there is not coherent one in Poland

However, the factor having the most devastating impact on the public awareness of this fund is the introduction of the idea of the 13th and 14th "pensions", which are neither a pension (not a contributory benefit) nor the welfare benefit. However, as a " pension", these additional annual cash benefits have already been recognized as "rightful" because it is "earned and deserved" like a standard retirement pension. Regardless of the budgetary consequences, it became a permanent element of the Polish system, failing to meet its guiding principle of modern social policy, which is work dependency. From the beginning of 2024 the responsibility for 13th and 14th annual benefits was transferred to Social Security Fund. What is interesting this transfer was not followed by the contribution.

Development of sources

The establishment of the Solidarity Fund was accompanied by the creation of a completely new type of fiscal burden, i.e. the solidarity levy. While the government has tried hard not to call it a tax, it bears all the features of

that burden . The solidarity levy of 4 percent of the basis for calculating this levy is paid by natural persons. The basis for the calculation is the surplus of more than PLN 1 million of the income sum taxable on the terms specified in the relevant articles of the PIT Act, less the deductible social security contributions and other amounts. The persons obliged to pay the solidarity levy are supposed to calculate its amount on their own.

Pursuant to the provisions of the Act on the Solidarity Fund, the fund was also to be financed as part of the existing contribution to the Labour Fund (LF). It was originally assumed that the contribution payer would jointly pay the contributions to the LP and the SF in the current amount of 2.45% from which the contribution to the SF would be separated in the amount of 0.15%, and, consequently, the contribution to the Labour Fund would be at only 2.30 percent. However, a fundamental change was introduced by the Budget Act for 2021 (Sejm paper 640, 2020), where an obligatory contribution to the Solidarity Fund was raised up to 1.45% of the same basis.

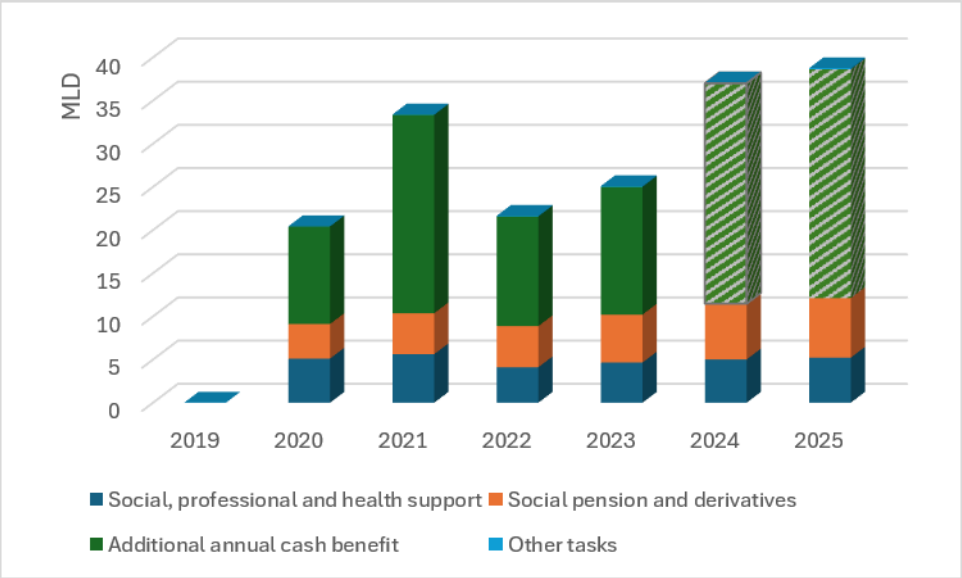


Fig. 1 The structure of Solidarity Fund expenditure in 2019-2025

Source: own study based on the Budget Acts for 2019-2025

As said before additional annual cash benefits were transferred to the Social Security Fund not followed by contribution, even this one specially dedicated for this proposal. Drawing no 1 presents the structure of The Solidarity Fund expenditure including the amount of liabilities for 13th and 14th pension paid in 2024 and 2025 by Social Security Fund. What is natural the highest share is constituted by annual cash benefits. Except this in 2025 around 7 mld PLN were dedicated to social pensions benefit for those who are not insured, 3 mld PLN to support benefit for supplementary rehabilitation services and 2 mld PLN for governmental programmes as relief centres or personal assistance. The amount of expenses for annual benefits increased up to 26.5 mld PLN in 2025. All this burden was covered by the Social Security Fund sources. As the financial situation of Social Security Fund - thanks to positive impact of migration – is temporarily satisfactory it was probably the reason of transfer of this obligation.

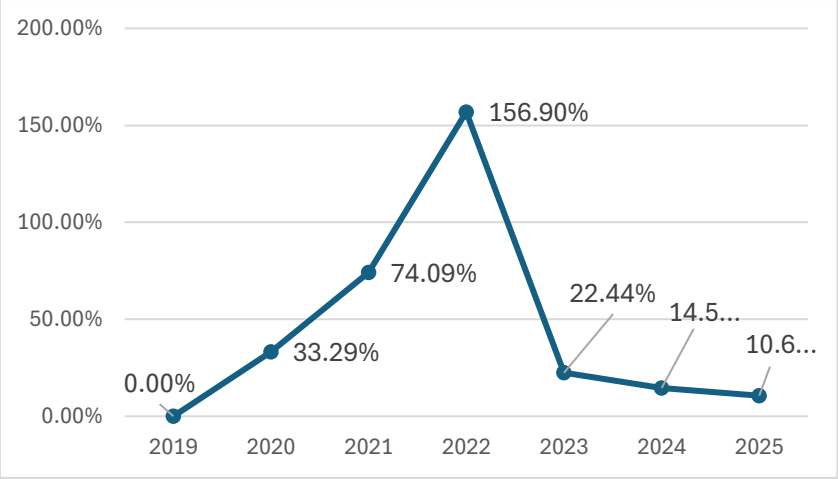


Fig. 2 The Solidarity Fund liabilities as a percentage of the State budget deficit in 2019-2025

Source: own study based on public data

As the Solidarity Fund has been based on a long term imbalance this raises the question of how its liabilities are financed. The lack of sources was supplemented by loans from the Demographic Reserve Fund - the one that was supposed to be a reserve for pension sources for expected shortages in following decades. If 13th and 14th pension stay in the Social Security Fund in the following years the individual situation of the Solidarity Fund will become better but - of course - it does not refer to a public system as a whole. The threat is all the greater given that the Social Security Fund received a further loan from the Demographic Fund in 2024 to cover the payment of the 13th and 14th pensions. Currently, 80 per cent of the Demographic Reserve Fund's assets are invested in loans to finance annual cash benefits. In 2025 the solidarity found was responsible for 10% of annual budgetary deficit of Poland (drawing no 2). However when it was in charge of additional cash benefits it was even more than 20%. Expenses for this purpose will still grow up to 31 mld PLN in 2030 and 35.3 mld PLN in 2040. The problem is that there is no strategy we as public do not know how the government plans future of presented funds especially the Solidarity Fund.

Final Remarks

There is currently no clear recommendation as to what the future should hold for both the Solidarity Fund and the annual cash benefits. The simplest solution – though politically unfeasible a year before the general election – would be to abolish the 13th and 14th "pensions", which would improve the future public debt situation.

It would certainly be desirable to strengthen those functions of the Solidarity Fund that serve its true purposes, namely supporting care services and meeting the social and rehabilitation needs of people with disabilities. The author will continue to research these issues in the coming years.

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