Modern performance managing (budgeting) of public spending is a challenge that many countries, including Poland, must face. This is also a need to create modern budgeting system of the 21st century not only for us but also for future generations. For Poland, joining the European Union meant even more efforts to face new challenges. Integration through a common market results in higher complexity of cooperation between countries, where knowledge and high quality of state resources management are key factors. Public expenditure is a particularly important tool of social-economic policy in the integrated EU and is a basic source to finance tasks performed by government for people, for instance providing security.

One of the most important elements that can improve state management is modern public finance management. This new approach to management in public administration is defined as a concept of New Public Management or Performance - Based Management. Such concept of new management focuses on defining goals, beneficiaries and measurable outcomes. The management according to new rules should increase effectiveness of public services and at the same time reduce costs.

Traditional budget (planned annually) is a financial plan of income and expenses, revenues and expenditure of the national budget, drawn up for a financial year. It is structured according to budgetary classification (paragraphs, chapters and sections). Nowadays, this document is not clear, and does not capture outcomes due to allocated funds and its expected effect upon economy and society. Therefore, as the conducted research show, it does not provide the decision-makers with reliable information on cost effectiveness and efficiency of public funds allocation and fulfillment of tasks in the following years.

A decision to implement performance budgeting is a breakthrough in the financial policy of the public sector in every country. It links government strategic goals with operational goals of tasks to be fulfilled as defined by the national budget plan. On one hand, the funds for goals defined in strategies will be allocated in subsequent years, on another hand, strategic planning system will be more and more precise and coherent in a longer time-span. Planned tasks will have to be consistent with financial capability of the budget, otherwise they will not be approved.

The above mentioned analysis gave incentive to conduct research and present the solutions of the performance-based (state functions, tasks, sub-tasks and activities, goals and measures) as an alternative to traditional budget (paragraphs, chapters and sections).

The research concentrated particularly on performance-based budgeting as a method to manage public resources, according to a task-oriented, consolidated plan of expenditure for one financial year and two following years for public financial entities, dedicated state funds, executing agencies, public institutions and state legal person. It defines state functions with assigned tasks, sub-tasks and measures of the outcome respectively. Such solution has been adapted to the public fund system of many countries, as part of the worldwide tendency in transformation of public administration and public management (New Public Management). Technological advances, market competitiveness and necessity for public administration to comply with demands of new reality as well as social expectations result in the management based on the following principles:

- Public administration should first focus on the outcome, and on processes and activities,
- Public administration should make better use of market competitiveness mechanisms to provide particular goods and services,
Administrative bodies, mainly government agencies, should focus on consumers, i.e. perceive them as clients in order to recognize and meet their needs,

Public administration should pay more attention to the way they use the resources, especially to reduce costs of public services and increase quality at the same time; in other words “doing more with less”.

Culture: organization should be flexible, innovative, focused on problem solving and enterprising.

Following these rules involved adoption of performance budgeting which aims at introducing public expenditure management by clearly shaped and hierarchical goals. The outcome can be then measured with a developed system of measuring tools. Performance budgeting defines precisely the tasks which are financed through budget sources. Adoption of proper measures helps to evaluate the accomplished results and to compare them with the costs incurred. Performance budgeting should be based upon three pillars: tasks, goals and measures. The elements that constitute performance budgeting are: state functions, tasks, sub-tasks and activities, goals and measures:

- **State functions** – basic units in task classification which group expenses into one area of state activity. There are 22 state functions comprising the whole range of activities assigned to authorizing officers, responsible for the state policy.

- **Task** - are the second level of classification. There are resources allocated to accomplish state functions.

- **Sub-tasks** – are the third level of classification where resources are allocated to goals of particular tasks.

- **Activities** – form the lowest level of classification and concern all most important elements of the process of goal accomplishment for sub-tasks and specific goals for tasks. Considering the activities, the following elements need to be defined: expenditure level in a given financial year, sources of funds and contractors to take up particular activities.

- **Goals** – are defined for tasks and sub-tasks. They are not defined on the level of state functions and activities. Every task should not have more than two goals. The goal should be described clearly with its indicator and the target value. Such approach helps to select a measure showing if the set goal has been accomplished. The aims should be: concrete, measurable, real, defined by time and effect-oriented.

- **Measures** – measures of outcomes that determine how successfully the goals were met. Every measure has its baseline, referring to the last available value of the measure, and the target value to be reached upon accomplishment of the tasks and the sub-tasks. Measures should be: relevant, reliable, easy to understand, countable and possible to monitor.

The authors aim also to popularize performance budgeting which should be introduced to manage public funds and control (evaluate) how well they are spent. Therefore, the paper also presents measures and method to control fulfillment of a task. Moreover, following the rule of assigning responsibility to a defined person guarantees efficient and effective performance. This approach should result in effective spending of public funds and task fulfillment.

Performance budgeting in Poland is a fact and the effects will depend on proper training of the staff and extensive promotion of this solution.