



EUROPEAN COMMISSION

EUROSTAT

Directorate D Government finance statistics (GFS)

Unit D-1: Excessive deficit procedure and methodology

- FINAL FINDINGS -

EDP dialogue visit to Poland

11-12 February 2020

Executive summary

Eurostat undertook an EDP dialogue visit to Poland on 11-12 February 2020 as part of its regular visits to Member States and with the aim to assess the existing statistical capacity, to review the implementation of ESA 2010 methodology, to review the recording of specific government transactions, and to assure that provisions from the ESA 2010 Manual on Government deficit and debt and recent Eurostat decisions are duly implemented in the Polish EDP tables and national accounts.

The Polish statistical authorities informed Eurostat that there had been no major changes in the institutional responsibilities in the framework of the EDP data compilation since the last EDP dialogue visit of 2018.

As regard the status of the action points of the earlier EDP dialogue visit, Eurostat took note that GUS has implemented almost all action points. Issues still open, due to continuous developments, were further discussed during this visit.

Concerning the EDP Notification, GUS agreed to improve the presentation of *'expenditures which have not expired on the end of the year n'* in the EDP tables and investigate the recording of tax/subsidy scheme for the renewable energy included in the results of other government bodies.

Regarding the delimitation of general government, Eurostat took note of a progress on the sectorisation for small units and on the resulting reclassifications to general government. Eurostat especially welcomed the structural measures undertaken by the Polish statistical authorities to assure the regular availability of information in the framework of Statistical Surveys of Official Statistics.

An extensive enquiry took place regarding the new legislation *'Act on the Development Institutions'* concerning a number of entities, classified both inside and outside general government, that are engaged with various types of development and promotion activities. When the implementation is finalised, the Polish authorities were asked to re-visit the sector classification of the entities involved, particularly the Polish Development Fund (PFR SA) and its related investment funds. In the meantime, Eurostat expects to continue receiving a complete list of PFR projects in the view of a possible rearrangement of transactions undertaken on behalf of government.

The activities of the Bank Gospodarstwa Krajowego (BGK), a state development bank, were also given particular attention. Eurostat welcomed the Memorandum of Understanding signed between the Polish Statistical Office and the BGK on the quarterly exchange of information allowing the identification of operations undertaken on behalf of government.

The Polish statistical authorities were asked to analyse the recent legal changes of the *'Mieszkanie Plus'* housing program related to the activities of the special purpose unit *Krajowy Zasób Nieruchomości* classified inside general government in detail. GUS will report to Eurostat on the expected impact on government accounts relating to the creation of

SPVs with non-governmental units, the transfer of land to SPVs and the control over the level of rents.

The discussion then focused on the sector classification of railway companies in the context of the treatment of subsidies and depreciation in the market/non-market test. As a result, the Polish statistical authorities will investigate the need for an adjustment of the business accounts depreciation by a coefficient to better reflect the national accounts concept of fixed capital consumption.

Afterwards, Eurostat reviewed the developments related to the Polish Aviation Group S.A. (including the main national carrier PLL LOT) and asked GUS to analyse whether the changes in the company's activities (e.g. increase in the number of employees, changes in the subsidiaries' management and revenue sources) justify its classification as a holding company.

Regarding the transfers of distressed coal mines to general government in recent years, Eurostat asked the Polish statistical authorities to investigate if the future decommissioning costs had been considered in the value of net assets transferred. In case an imbalance in the transaction price was to be found, a matching capital transfer expenditure should be recorded in the government accounts. In addition, GUS should analyse the report of the Polish Court of Auditors on the valuation of assets purchased by the Polska Grupa Górnicza S.A in 2017 to re-confirm the level of capital transfer expenditure included in the EDP/GFS data.

Concerning Public Private Partnerships (PPP), Eurostat welcomed the additional documentation provided with regard to the project for the bypass of Tri-City Metropolis, in particular the information on the financial model and the detailed analysis of risks and rewards. As a result, Eurostat committed to send to the Polish statistical authorities a reply to the *Ex-ante request* presenting its preliminary view on the statistical recording of this project.

Concerning the planned reform of the pension system, based on the discussion during the meeting, Eurostat considered that the conversion fee charged on the assets transferred to individual retirement accounts, to be paid as a lump sum, should be considered as tax prepayment. As a result, the current tax on income revenue should be accrued in government accounts following the future pension payments.

Finally, GUS was asked to adapt the compilation of the '*super dividend test*' to fully align the formula used with the Eurostat guidelines and to take into account various reporting templates used by different types of entities. Other issues discussed included guarantees, military equipment expenditure, debt assumptions, debt cancellations and debt write-offs. Eurostat clarified technical aspects related to the presentation of interest in the EDP tables.

Eurostat welcomed the transparent, well-structured, and comprehensive approach by the Polish statistical authorities to the EDP related work. Eurostat appreciated also the documentation provided by the Polish statistical authorities prior to and during the EDP dialogue visit.

Final findings

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, Eurostat carried out an EDP standard dialogue visit to Poland on 11-12 February 2020. The previous Eurostat EDP standard dialogue visit to Poland took place on 1-2 March 2018.

The delegation of Eurostat was headed by Mr Luca Ascoli. Eurostat was also represented by Ms Rasa Jurkoniene, Mr Philippe de Rougemont, Mr Thomas Forster and Ms Malgorzata Szczesna-Rundberg. Representatives of the Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers. The Polish authorities were represented by the National Statistical Institute (Główny Urząd Statystyczny – GUS), the Ministry of Finance (MoF), the National Central Bank (Narodowy Bank Polski – NBP) as well as by representatives of various government departments.

For the specific items of the agenda, the representatives of the Bank Gospodarstwa Krajowego (BGK) and of the Polish Development Fund (PFR S.A.) were present.

Eurostat carried out this EDP dialogue visit in order to review the implementation of ESA 2010 methodology, to ensure that the rules of the latest ESA 2010 Eurostat Manual on Government Deficit and Debt are complied with and to make sure that Eurostat decisions are duly implemented in the Polish EDP and Government Finance Statistics (GFS) data.

The main objectives of the dialogue visit were: to review the implementation of ESA 2010 methodology, such as the sectorisation of units (including public transport companies, coal mines and public television), to review the activities of development institutions as well as to analyse the recording of specific government transactions, in particular with regard to Public-Private Partnerships (PPPs). Moreover, the forthcoming reform of the pension system was discussed in view of expected implications on government accounts.

With regard to procedural arrangements, the *Main conclusions and action points* would be sent to Poland for comments. Then, within weeks, the *Provisional findings* would be sent to Poland for review. After this, the *Final Findings* will be sent to Poland and the Economic and Financial Committee (EFC) as well as published on the website of Eurostat.

Eurostat appreciated the information provided by the Polish statistical authorities prior to and during the EDP dialogue visit. Eurostat also thanks the Polish statistical authorities for the co-operation during the mission and for the constructive discussions.

1. STATISTICAL ORGANISATIONAL ISSUES

1.1. Review of institutional responsibilities in the framework of the EDP data reporting and government finance statistics compilation

Introduction

Eurostat reviewed the institutional responsibilities in the framework of the reporting of data under the EDP and government finance statistics. In Poland, there are two institutions involved in the compilation of the data: Statistics Poland (**GUS** - *Główny Urząd Statystyczny*) and the Ministry of Finance (**MF** - *Ministerstwo Finansów*). GUS is responsible for the compilation of non-financial and financial accounts of general government, whereas the Ministry of Finance compiles the quarterly Maastricht debt. All EDP Tables are compiled by GUS except for the statistics on debt in Table 1 and planned data that are provided by MF. In addition, the National Bank of Poland (**NBP** - *Narodowy Bank Polski*) is involved in the EDP process on the EDP methodology, as it compiles the annual financial accounts for all sectors of the economy.

Cooperation in the field of EDP methodology takes place under the General Government Statistics Working Group (GGSWG), which is a consultative and advisory body to the President of GUS. Its aim is to coordinate the exchange of information between the institutions, and the preparation of proposals concerning methodological and organizational issues. Decisions are taken after consultations by the Chairman, which is always an expert from GUS. In case of doubt, the Chairman shall submit the case for a decision to the President of GUS. The final approval of EDP data is done by GUS.

A formal agreement on the cooperation between the concerned institutions as co-compilers of EDP data does not exist, but the Official Statistics Act dated 29 June 1995 and the annual regulations of the Council of Ministers on the programme of statistical surveys of official statistics (PBSSP) give mandate to collect the data needed for the compilation of GFS/EDP statistics.

Discussion and methodological analysis

The Polish statistical authorities explained that there had been no changes in the institutional responsibilities in the framework of the EDP data compilation since the last EDP dialogue visit in 2018.

Next, Eurostat enquired about the cooperation with the Polish Supreme Audit Office (*NIK - Najwyższy Urząd Kontroli*) and the Regional Accounting Chambers (*RIO - Regionalne Izby Obachunkowe*). GUS explained that despite the lack of a formal Memorandum of Understanding, there is a close cooperation between the institutions. If needed, GUS contacts the relevant audit authorities and asks for information and clarification on some specific accounting issues. Moreover, GUS can also for the audit purposes propose areas that are important from the government finance statistics point of view. GUS explained that the audit institutions are not regularly participating in the General Government Statistics Working Group (GGSWG), however they are consulted, if needed.

Finally, GUS informed Eurostat about the results of the recent audit on the compilation process of Maastricht debt that brought no material recommendations for statistical authorities.

Findings and conclusions

Eurostat took note of the explanations. Concluding, GUS added that no major changes were envisaged in the close future in relation to institutional responsibilities.

1.2. Data sources and revision policy, EDP inventory

Introduction

Under this item of the agenda, Eurostat enquired about data sources, revision policy and the update of the ESA 2010 EDP inventory.

Discussion and methodological analysis

Regarding the **data sources**, the Polish statistical authorities explained that there had been no significant changes since the last EDP dialogue visit. A detailed description of the data sources by the government sub-sector is part of the EDP inventory, publicly available on the Eurostat website¹. There have been, however, some improvements to the data sources, the most important being the availability of financial statements in an electronic version on the website of the National Court Register (*Krajowy Rejestr Sądowy*). GUS explained that this development had significantly facilitated their work with regard to getting direct access to relevant financial information of corporations.

When reviewing the data sources for public corporations, the Polish authorities clarified that there are two different templates for reporting profits and losses. According to the Polish accounting law, entities can choose either a 'calculated' or a 'comparative' reporting format, the main difference being the presentation of costs. GUS informed that, where relevant, the differences in presentation of costs are duly considered in the statistical work.

Next, GUS briefly described the main budgetary reporting forms used in the compilation of the government finance statistics. Among other, it presented the state budgetary reports RB-27 and RB-28 used as a data source for revenues and expenditure on a cash basis and forms RB-N and RB-Z used as a data source for selected financial assets and liabilities (inter alia for other accounts receivables and payables).

Furthermore, the issue of availability of balance sheets of the budgetary units was explored. The discussion, between GUS and the Ministry of Finance, highlighted a need for further analysis, specifically concerning the coverage aspects in relation to entities, assets and liabilities. The Ministry of Finance explained that it does not compile the balance sheets of

¹ <https://ec.europa.eu/eurostat/documents/1015035/8572485/PL-EDP+Inventory-May18.pdf/f07f6ceb-4247-4107-8050-eea34029541a>

the State budget, but it only produces an aggregated report which does not include the detailed information necessary for statistical purposes.

Next, Eurostat enquired in detail about data sources used for compilation of stocks and flows of cash and deposits (AF/F.2). The Polish authorities explained that the information on stocks of cash and deposits is based on a variety of data sources. For the State Treasury, the figures are obtained from the Ministry of Finance, which maintains the relevant accounts. However, for other entities of general government, the information is drawn from a variety of both direct and indirect data sources.

Data sources for the transactions in F.2 of most units of S.13 (the exception is the state budget) are the same as for the stocks of F.2 since the transactions are calculated as change in stocks. In the case of the State budget, data sources for the transactions of F.2 are mainly based on the balance of revenues and expenditures that is a part of Annual report on budget realization.

Next, the **revision policy** was briefly discussed, and the Polish statistical authorities informed Eurostat that there had been no major changes since the 2018 EDP DV. Generally, the basic information of the April (first) notification is revised and complemented with finalised data in the October notification (second). The final financial data for public finance sector are available at the end of May T+1, and are then adopted by Parliament and audited by the Supreme Audit Office. Around that time, the data for other units also receive their final status.

The Polish statistical authorities explained that methodological revisions resulting from the implementation of Eurostat decisions and guidance notes or from the MGDD updates are usually made as soon as possible, mostly in the same year. Data for new entities reclassified are usually also immediately included in the EDP data. However, for small units with negligible impact on deficit and debt, the financial accounts and EDP debt data are fully revised whilst their net lending/net borrowing is included under one transaction in non-financial accounts. The complete revision of non-financial accounts is conducted at a later stage, to ensure the consistency with non-financial accounts for all sectors. Revisions are coordinated within national accounts with changes made at the same time for all institutional sectors. The revisions are conducted at least for the four years covered by the EDP tables, if not agreed otherwise with Eurostat. The benchmark revision of nation accounts was foreseen for September of 2020

Finally, Eurostat took note that the published version of EDP Inventory was updated in May 2018. In the context of 2019 MGDD implementation, the Inventory should be reviewed and brought up-to date, also considering the recommendations given by Eurostat during this meeting.

Findings and conclusions

Action Point 1: The Polish statistical authorities will provide to Eurostat the templates of Chart of Accounts, according to the national accounting law, in ‘comparative’ and

‘calculated’ reporting formats. *Deadline: end March 2020*²

² The documents were provided to Eurostat on 31 March 2020.

Action Point 19: The Polish statistical authorities will consider the possibility of using, as a data source for EDP reporting, the balance sheet information of the budgetary units and will inform Eurostat on their findings. *Deadline: End of August 2020*³

Action Point 22: The Polish statistical authorities will consider using the primary data sources on stocks (cash holdings) for the calculation of F.2 (cash and deposits) of the State budget. *Deadline: End of August 2020*⁴

2. FOLLOW-UP OF THE EDP DIALOGUE VISIT OF 1-2 MARCH 2018

All action points from the 2018 EDP dialogue visit were implemented or partially implemented. Eurostat appreciated the efforts and involvement of the Polish statistical authorities in the implementation of action points. Due to the long-term developments, some issues were followed-up under the relevant agenda points of this visit.

3. FOLLOW-UP OF THE LATEST EDP REPORTING – ANALYSIS OF EDP TABLES AND THE RELATED QUESTIONNAIRES

Eurostat thanked the Polish statistical authorities for their timely and accurate transmission of EDP tables and of the relating questionnaires. Some outstanding issues from the October 2019 EDP Notification were followed-up. The discussion covered mainly the necessary improvements in the presentation of ‘expenditure that have not expired by the end of year n’ and the detailed analysis of main revenue and expenditure items of GG units/groups of units.

3.1. Reporting of ‘expenditure that have not expired by the end of the year n’ in EDP Tables 2 and 3

Introduction

One of the main issues discussed during the 2019 notifications was the nature and the presentation in the EDP tables of the item ‘*expenditures which have not expired on the end of the year n*’ reported under ‘other accounts payable’ both in the EDP Table 2A and Tables 3A and 3B.

In April 2019 notification, Eurostat enquired about this entry and GUS replied that this position was related to ‘planned amounts of expenditure that are included in the working balance of 2018, however they were not spent (‘executed’) and thus transferred to 2019’. They explained that this expenditure was then neutralized by the adjustment in ‘other accounts payable’ both in the EDP Table 2A and in Tables 3A and 3B. During the October 2019 notification, GUS further clarified that the counterpart transaction of undertaken adjustment was F.2. ‘Currency and deposits’.

³ Ongoing, deadline re-scheduled for the end of December 2020.

⁴ The note was provided to Eurostat on 4 January 2021.

As a result, Eurostat raised concerns about the approach followed by GUS, which might possibly lead to inaccurate figures for cash transactions and potential timing issues between 2018 and 2019. Eurostat considered that ‘*expenditures which have not expired on the end of year*’ had a character of a commitment/reserve introduced in the working balance and thus, they should be eliminated in the EDP table 2A under ‘Other adjustments’ with resulting implications for EDP Table 3 (for F.2 and other accounts payable). Eurostat asked GUS to investigate in detail the recording and prepare the revised presentation for the discussion during this visit.

Discussion and methodological analysis

GUS shared with Eurostat the results of its work and presented to Eurostat a revised presentation of the EDP tables. However, following detailed analysis, Eurostat concluded that the issue had not been entirely solved and work should continue. Eurostat stressed that the adjustment should be introduced to assure the correction in the level of the working balance itself (to eliminate the commitment) and not through the recording of a transaction. Considering the complexity of the issue, Eurostat asked GUS to re-visit the recording in detail and prepare the revised proposal in advance of April 2020 EDP Notification.

Additionally, in the process of the detailed investigations, GUS informed that it discovered an error of double-counting/elimination of expenditure amounts for 2018 and 2019, which would lead to the slight correction of 2018 deficit figure in April 2020 EDP Notification.

Findings and conclusions

Action Point 21: Following the discussions, the Polish statistical authorities will reconsider the current reporting of the “expenditure that have not expired” in the EDP tables 2A and 3B and provide their proposal to Eurostat before the April 2020 EDP notification.⁵ *Deadline: 13 March 2020*

⁵ Implemented in the context of the April 2020 EDP Notification.

3.2. Main revenue and expenditure items of GG units/groups of units and financial transactions for 2018

Introduction

Prior to the visit, the Polish authorities provided to Eurostat the detailed presentation of revenue and expenditure as well as the breakdown of financial transactions of general government units. The information was provided by sub-sectors for the year 2018. For central government, the information was presented, among others, for: Public corporations, Funds managed by BGK, Special Funds, Executive agencies, Public universities, Budget institutions, Bank Guarantee Fund, Central health care institutions, Research institutions and other legal entities re-classified inside S.13. The same logic was used for presentation of data for local government and social security funds with smaller entities being grouped by type.

Discussion and methodological analysis

Eurostat congratulated GUS on the detailed presentation and invited GUS to send it regularly as the additional information accompanying the EDP notifications. Eurostat advised GUS to add to the table the columns for the main State Budget (aggregated), for Consolidation adjustments and for ESA adjustments. In this way, in Eurostat view, the presentation would give the full picture of the GFS central government.

Next, Eurostat raised the question regarding the subsidies received by one of the public corporations, and namely by Zarządca Rozliczeń S.A. This is a special purpose company, fully owned and controlled and founded by State. The funding come from the levy that is charged to all the energy consumers, collected by energy suppliers, and then transferred to Zarządca Rozliczeń S.A.

Zarządca Rozliczeń S.A uses the proceeds to make payments to eligible energy generators to cover the costs incurred by them in connection with the early termination of Power Purchase Agreements. Zarządca Rozliczeń S.A. disburses the funds to power generators to cover stranded costs in the form of advances for such costs for a given year and in the form of annual adjustments.

Eurostat asked questions about the functioning of the above tax/subsidy scheme, in particular, about time of recording issues that might arise. The Polish authorities agreed to investigate the issue and report to Eurostat.

Findings and conclusions

Action Point 23: The Polish statistical authorities will provide a note on the recording of the tax/subsidy scheme for the renewable energy, related to Zarządca Rozliczeń, explaining the nature of the payments and their classification in national accounts, possibly for the period starting 2010. *Deadline: end of August 2020⁶*

⁶ The note was provided to Eurostat on 4 January 2021.

4. METHODOLOGICAL ISSUES AND RECORDING OF SPECIFIC GOVERNMENT TRANSACTIONS

4.1. Delimitation of general government, application of market / non-market test in national accounts

4.1.1. Implementation of the new MGDD⁷ (2019 edition), state of play

The updated MGDD was published by Eurostat in August 2019, which allowed some flexibility regarding the implementation aspects. Prior to the meeting, the Polish statistical authorities provided a note the implementation of the new MGDD and the possible impact on government deficit and debt.

GUS informed that it had already started the implementation process in the October 2019 notification regarding the recording of refundable contribution to protection funds and the recording of military expenditure. Eurostat reviewed the areas planned for implementation the April 2020 and took note that the implementation of the new edition of MGDD would result in only a minor impact on deficit and debt figures. GUS also pointed out that new guidance on income contingent loans was not relevant for Poland as such loans did not exist.

4.1.2. Application of the market/non-market test, qualitative and quantitative criteria

Introduction

In Poland, the market/ non-market criterion is generally tested unit by unit, on a yearly basis (in November). However, in case of organisational changes of the existing units or in case of newly created units, the test is conducted outside the usual annual pattern, according to the needs of statistical analysis. Both qualitative and quantitative criteria are taken into account in the analysis. The qualitative criteria are examined based on the AP-01 ‘Statistical questionnaire for enterprises with public capital’, among others. For the quantitative analysis, the market/non-market test is used (sales covering 50% or more of costs, as defined by ESA2010). In case of existing units, the analysis usually covers the years t-3 to t, whereas for new units, business plans are taken into consideration.

Discussion and methodological analysis

Eurostat investigated in detail the data sources and the algorithm used by the Polish statistical authorities for the calculation of the market/non-market test. GUS explained that most of data are extracted from the Annual Enterprise Survey ‘SP’. This survey however does not provide sufficient information on the character of the subsidies. It was observed that the reporting entities encounter difficulties to correctly apply ESA guidance and distinguish between subsidies on products and subsidies on production. Thus, for practical reasons, GUS calculates two market/non-market ratios for each unit: including subsidies in sales and deducting

⁷ Manual on government deficit and debt <https://ec.europa.eu/eurostat/documents/3859598/10042108/KS-GQ-19-007-EN-N.pdf/5d6fc8f4-58e3-4354-acd3-a29a66f2e00c>

subsidies from sales. Then, in the next step, for companies where the ratio with subsidies is above 50% and the ratio without subsidies is below 50%, GUS undertakes a detailed analysis based on the supplementary data source. For specific units, such as transport companies, hospitals, television and radio broadcasters, additional data sources are used.

GUS recalled that, to calculate the market/non-market test, Sales include net revenues from sales of products and net revenues from sales of goods and materials, deducting excise tax and value of goods and materials sold. Costs cover operating costs and net interest charge deducting excise tax, the value of goods and materials sold and the cost of manufacturing products for own use.

In reply to Eurostat's question, GUS clarified that losses on inventories and losses on trade receivables are currently not considered in the calculation of the market/non-market test. In the available data sources, these positions are reported in aggregated items (mostly under Other operating expenses or Financial expenses) and it is not possible to single them out. The Polish authorities agreed to explore the modalities of the ongoing update of Annual Enterprise Survey 'SP' to verify if it could lead to some improvements in this regard.

Concerning the application of the qualitative criteria, the Polish authorities confirmed that they are applied on a regular basis in the analysis of the replies to AP-01 'Statistical questionnaire for enterprises with public capital'. GUS gave examples of entities classified to general government based on those criteria and they included public hospitals, protection funds, captive intuitions, special purpose entities and restructuring agencies.

Further, Eurostat enquired about classification of **public units in liquidation**. GUS explained that the information on such units is received from National Court Register (*Krajowy Rejestr Sądowy*). If the unit is registered as in liquidation, it results in the modification of its name in the Database of Statistical Units (*Baza Jednostek Statystycznych*), used as a main for classification of units. GUS informed that, once a unit in liquidation fails the 50% test, it is immediately reclassified inside general government in line with the MGDD guidance.

Findings and conclusions

Action Point 2: The Polish statistical authorities will inform Eurostat about the availability of data on losses on inventories and on losses on trade receivables in the context of the updated Annual Enterprise Survey (SP) form and will consider using this information for the calculation of the market/non-market test. *Deadline: end of August 2020*⁸

⁸ The note was provided to Eurostat on 4 September 2020.

4.1.3. Changes in the sector classification since the March 2018 EDP dialogue visit

4.1.3.1. Follow-up on the availability of information for small units with a view of regular collection of necessary information for EDP purposes

Introduction

The list of entities included in the *Questionnaire on government entities classified outside general government* is based on the Annual Enterprise Survey ‘SP’ that does not cover entities employing up to 9 persons. Small units were only subject to an annual sample survey covering 5% of the relevant population. As a result, in general, small entities were not included in the Questionnaire and were not subject to the regular application of market/non-market test (with exception of some specific cases).

During the EDP dialogue visit in 2018, Eurostat pointed out that progress needed to be made with regard to availability of information on publicly controlled small entities, in particular for units acting as special purpose vehicles, holding companies and head offices where the potential impact on government aggregates might be non-negligible. The Polish authorities were asked to re-analyse the situation in detail and find a solution to ensure the regular availability of this information for EDP purposes.

Discussion and methodological analysis

GUS informed that, during 2018 and 2019, extensive work had been undertaken to analyse the sector classification of 1200 small units. Due to lack of the necessary financial data for small units in the statistical surveys, the analysis was carried out based on data available in the National Court Register and information provided on the websites of the units. Based on the results, several units were reclassified to general government in the context of 2019 EDP notifications, nevertheless with limited impact on deficit and debt.

Moreover, GUS also informed Eurostat that they had been working on ensuring a regular access to data on small entities from the Ministry of Finance as a part of the *Statistical Surveys of Official Statistics* programme. Eurostat was informed that the full access to detailed information would be assured from 2020 onwards.

Findings and conclusions

Eurostat congratulated the Polish authorities on the progress achieved and welcomed the measures to ensure regular availability of information on small units.

4.1.3.2. Follow-up on the sector classification of public foundations

Introduction

The State Treasury Foundations were reclassified to general government in October 2017 EDP Notification. Besides the State Treasury ones, there are many other public foundations operating in Poland. In most cases, the initial capital is provided by government, nevertheless their activities are conducted independently of the founder. The profits are usually devoted to

the development of the foundation itself. During the EDP dialogue visit in 2018, Eurostat asked GUS to review the activities of all public foundations to verify that they do not act on behalf of government.

Discussion and methodological analysis

GUS informed Eurostat that, during 2018 and 2019, extensive work had been undertaken to finalise the analysis of the sector classification of all public foundations. GUS specifically analysed the foundations set-up by local government. As a result, seven foundations were reclassified to the general government sector in the context of the October 2018 EDP notification. Then, the work continued to identify the foundations acting on behalf of government, for example conducting some regulatory activities. In result, two foundations, 'Polska Fundacja Narodowa' and 'Fundacja Platforma Przemysłu Przyszłości' were reclassified to general government in the context of October 2019 notification.

Findings and conclusions

Eurostat welcomed the progress achieved and encouraged the Polish authorities to continue monitoring the public foundations situation.

4.1.3.3. Follow-up on the identification of head offices and holding companies

Introduction

During the EDP dialogue visit in 2018, Eurostat re-visited the approach of the Polish authorities on the identification and the sector classification of public head offices (HO) and holding companies (HC). The Polish authorities explained the practical difficulties they had been facing with the regular analysis of head offices and holding companies. They highlighted that for some of them, in particular, most of their subsidiaries are small, were created very recently and GUS does not have access to their financial statements. This is because the small units (employing up to 9 people) are not covered in Poland by the business statistics surveys (*Annual Enterprise Survey*)

Eurostat pointed out that progress needs to be done with regard to availability of information on publicly controlled small entities, in particular for units acting as special purpose vehicles, holding companies and head offices where the potential impact on government aggregates might be non-negligible. The Polish authorities were asked to re-analyse the situation in detail and find a solution to ensure the regular availability of this information for EDP purposes.

Discussion and methodological analysis

GUS reported that, in the process of implementation of 2018 Action Points, it undertook an extensive work to identify the public head offices and holding companies. In total, five head offices were identified, and their subsidiaries were subject to market/non-market test and classified accordingly to the result. The identified units mainly conducted managerial activities, representing over 50% of their revenues. A detailed list presenting the names of the

entities and the results of the market/non-market test of their subsidiaries was provided to Eurostat. Eurostat asked GUS to review the sector classification of *Enspirion Sp. z o.o.*, a subsidiary of *ENERGA S.A.*, considering the declining results of market/non-market tests in the last years.

In addition, during the analysis of small entities, three companies were identified with the features of holding company. All of them turned out to be controlled by public corporations classified outside general government and thus were classified with their parent unit.

Next, Eurostat enquired asked if there is a monitoring in place for Head Offices/Holding Companies being created. GUS explained that, following the improvements in the availability of information on small entities, the analysis would be streamlined and would be regularly conducted during the work on the *Questionnaire on government-controlled entities classified outside general government*.

Findings and conclusions

Action Point 3: Eurostat welcomed the work done by the Polish statistical authorities in analysing small public entities (up to 9 employees) and improving the list of public corporations. The Polish statistical authorities will send to Eurostat an updated analysis of market/non-market results for the subsidiaries of *ENERGA S.A.* *Deadline: end of March 2020*⁹

4.1.4. Government controlled entities classified outside the general government (public corporations)

Introduction

At the end of 2019, the Polish statistical authorities provided an updated *Questionnaire on government-controlled entities classified outside general government*, including the data for 2018.

Discussion and methodological analysis

GUS informed Eurostat that the method of identification and classification of public units had not changed since the last EDP dialogue visit and is described in detail in the EDP Inventory. It was briefly recalled that the identification process starts in the National Court Register (*Krajowy Rejestr Sądowy*), where all enterprises must register upon starting their activities. Upon registration, all entities are assigned a specific identification number REGON. This number is used as identification in the statistical business register called *Database of Statistical Units (BJS)*. In case there is a new unit, it is scrutinised based on, among others, the legislation, ownership, control and if it should not be classified as a public unit.

Eurostat reviewed the list of government-controlled entities and discussed some specific cases. Answering Eurostat questions, GUS clarified that two units '*ARENA GDANSK*' and

⁹ The note was provided to Eurostat on 31 March 2020.

'*STOCZNIA GDYNIA in liquidation*' will be reclassified into general government due to the results of market/non-market test. Eurostat observed that also another unit '*WROCLAWSKIE CENTRUM BADAN*' did not comply with the market/non-market test for three years in a row and it should be reclassified inside general government.

Next, Eurostat enquired about two units showing particularly low results for market/non-market tests. The Polish authorities explained that *Elektrociepłownia Stalowa Wola S.A* was still in the construction phase. The second one, *Nowe Jaworzno Grupa Tauron* started its operations in 2017 and its sector classification will be decided in 2020, after three years of its operations.

Eurostat noted that the market / non-market test for some units was slightly below or just above 50 % in the last three years and asked the Polish statistical authorities to closely monitor such units. Particularly, it referred to such units as *Alior Leasing*, *Tauron Wydobycie* and the *Airport in Rzeszów*.

Eurostat also asked the Polish authorities some details about the functioning of water companies, which are presented in an aggregated manner in the Questionnaire. GUS explained that the aggregated entry covers 106 water companies, of which 7 are medium and large units and the remaining units are small (without data). They mainly deal with water improvements i.e. drainage and irrigation of agricultural land, as well as construction works, land management and disposal or treatment of sewage. GUS informed that they obtain limited subsidies from government.

Eurostat raised the issue of the sector classification of the public broadcaster, *Telewizja Polska (TVP) S.A.* It pointed out that, in almost all other Member States, public broadcasters are classified outside general government. GUS explained that the results of market/no-market test had been gradually deteriorating in the recent year but were still above 50% for 2018. Eurostat enquired about the character of subsidies received by the entity. The Polish statistical authorities explained that TVP receives subsidies for implementation of the public mission. The amount of the proceeds depends on the amount of licence fees collected. In addition, in last years, TVP obtained compensation for lost licence revenues for years 2010-2017 in 2017 and 2018. The basis for this compensation, which TVP received from the state budget, is the exemption from paying licence fee to certain social groups. In this regard, TVP received PLN 860 million - PLN 266.5 million in 2017 and PLN 593.5 million in 2018. Also, TVP obtains subsidies intended directly for the implementation of individual projects, such as digitization and reconstruction of archive resources. GUS stressed that all the above-mentioned proceeds received by TVP from the government, i.e. licence fee, compensation and subsidies are not recognized in the company's revenues when calculating the market non-market test.

Findings and conclusions

Eurostat took note of the classification process of public corporations controlled by government.

Action Point 4: In view of the observed deterioration in the revenues from commercial activities and increasing level of subsidies on production, the Polish statistical authorities will continue to monitor closely the sector classification of the Telewizja Polska SA. *Deadline: End of December 2020*

4.2. Sector classification of specific units and statistical recording of their activities

4.2.1. The ‘Act on the Development Institutions’ and its impact on the sector classification of entities concerned

Introduction

After an extensive preparation process, a new legislation called ‘Act on the Development Institutions’ entered into force in September 2019. The Act covers the activities of a number of entities dealing with diverse types of ‘development’ activities. The entities are classified both inside and outside general government. At the time of the visit, the implementation process of the Act was advanced but not yet finalised. The Act foresees that the statutes of the institutions should be amended within 9 months following the entry of the Act into force.

Discussion and methodological analysis

The Polish authorities clarified that the Act does not include the definition of a development institution, but it defines the system of development institutions by enumerating 6 units that constitute the *PFR Group*. It includes the following entities: *Polish Development Fund (PFR S.A.)*, *Bank Gospodarstwa Krajowego (BGK)*, *Polish Agency for Entrepreneurship Development (PARP)*, *Export Credits Insurance Corporation (KUKI S.A.)*, *Polish Investment & Trade Agency (PAIH)* and *Industrial Development Agency (IPA S.A.)*.

In reply to Eurostat questions, it was stressed that PFR Group is not a capital group. The units concerned have their own tasks defined by other rules of law or their statutes. The Act on the Development Institutions was established to facilitate in the coordinated way the support for the entrepreneurs and investment in Poland. The representatives of the BGK and PFR S.A. confirmed that the aim is to create a common framework to enable major public financial institutions to cooperate closer for enhancing investment in Poland.

Next, Eurostat reviewed the general rules of cooperation in the PFR Group, the specific role of the PFR S.A. and the general aspects of the financing to be granted to entrepreneurs.

Eurostat asked GUS about the expected impact of the legislative changes on the sector classification of the units involved. GUS replied that, in their opinion, the new Act does not bring about changes to the functioning of the entities, which should trigger changes in their statistical classification. They explained that the new legal provisions concern predominantly the coordination matters and the strategic areas of activities, but they do not interfere with the main principles of their functioning and day-to-day activities.

Findings and conclusions

Given the ongoing implantation phase, GUS agreed to send its final analysis and views on the statistical classification of units, in particular the PFR S.A. upon the finalisation of the amendments of relevant statues.

4.2.2. Review of operations of the Polish Development Fund (PFR) in the view of the possible rearrangement of transactions undertaken on behalf of government

Introduction

The aim of this agenda item was to review on the classification of the **Polish Development Fund** (*Polski Fundusz Rozwoju* – PFR) and the statistical recording of the projects undertaken by the entities involved. It was the continuation of the discussion that took place during the previous Eurostat visits.

PFR is a capital group. Its core unit is PFR S.A., a state treasury company. It is owned by the State Treasury (98.7% of the shares) and Bank Gospodarstwa Krajowego (1.3% of the shares).

Besides PFR SA, the PFR capital group includes the following entities: *PFR TFI* - Investment Funds Corporation, *PFR Ventures* – the Fund of funds manager, providing financing via venture capital funds, *PFR Nieruchomości* - dwellings rental programme manager, *PFR Portal PPK* – the operator of the employee capital programmes portal and *KFK - Domestic Capital Fund*, to be incorporated into PFR Ventures.

The most important activities of the PFR S.A. are capital investments (directly or via investment funds) - by taking up company's shares or bonds and subordinated debt granting, development of innovations, tasks connected with the Employee Capital Plans and preparing economical expert reports. The approval of projects to be financed by PFR S.A. is undertaken by independent investment committees.

PFR S.A. is also engaged in fund management activities involving the management of assets of four investment funds: Capital Infrastructure Investment Fund, Debt Infrastructure Investment Fund, Local Government Investment Fund, and Polish Business Investment Fund. Each fund has its own individual strategy based on best practice in the investment process. The funds offer a wide range of financial instruments, e.g. subordinate debt, equity capital, mezzanine capital, etc. The projects are aimed at developing infrastructure, increasing the competitiveness of Polish businesses, and modernizing local government assets.

Based on the discussions from the past, the PFR SA is currently classified in the subsector of financial auxiliaries S.126 whereas four funds are assigned to subsector non-MMF investment funds (S.124).

Discussion and methodological analysis

The impact of the new Act on Development Institutions on the sector classification of the PFR was investigated. However, as the implementation of the Act is still ongoing and the

statutes of the entities have not yet been finalised, it was not possible to assess the statistical implications. Upon the finalisation of relevant act, GUS was asked to re-analyse the statistical classification of all entities belonging to PFR. The analysis should include a detailed presentation of the role and the tasks of the PFR SA in relation to its subsidiaries and a description of the financial flows within the group.

GUS also informed Eurostat about the progress in the access to the information on projects realised by PFR S.A., as required by Action Point 5 from the Ad-hoc visit in 2017: '*GUS will report to Eurostat on the progress in establishing of a regular exchange of information on the transactions carried out by the PFR Group, which will be necessary to analyse the accounting implications of classification of the entities involved and the possible re-routing of transactions undertaken on behalf of government.*'

Consequently, a Memorandum of Understanding was signed between GUS and PFR S.A. regarding a regular quarterly exchange of information on the projects realized by this unit. Eurostat welcomed this development and asked GUS if there were still any outstanding issues in this respect. GUS replied that the cooperation with PFR worked well and that bilateral discussions were organised if there was a need for analysing specific projects in more detail.

Eurostat reviewed the list of PFR projects, for 2018 and Q1-Q3 2019, provided prior to the visit. No issues were raised on the statistical treatment proposed by GUS. More extensive discussion took place regarding Domestic Capital Fund (KFK SA), classified in S.13 that was in the process of transformation and possibly being merged with one of PFR SA subsidiaries. It was agreed that GUS will monitor the organisation changes and upon their finalisation, it will re-visit the statistical classification of the unit.

Following the growing scale of activities in the past years, Eurostat pointed out that the PFR investment funds should be further analysed in order to re-confirm the correctness of the current sector classification in subsector non-MMF investment funds (S.124). In this regard, the elements such as the set-up, the character of project, the clients' base and the financial arrangements should be thoroughly investigated and assessed in the context of ESA 2010 provisions for sectorization of financial units.

Findings and conclusions

Eurostat concluded that, at this stage, there are no sufficient indications to change the sector classification of PFR. However, the close monitoring of PRF projects should be continued and should result in the regular updates to Eurostat, prior to EDP notifications.

Action Point 12. Upon finalisation of the PFR S.A statute, the analysis of the sector classification of this unit will be updated and sent to Eurostat. The Polish statistical authorities will also re-visit the reporting of the PFR funds in the mutual funds subsector (S.124) and investigate the classification in (an)other subsector(s) of S.12 taking into account the activities and business profile of these units. In addition, Eurostat expects to receive the complete list of the PFR projects and their statistical analysis (including the operations undertaken in Q4 of 2019) before the forthcoming EDP Notification. *Deadline: End of March*

2020 for PFR projects, End of December 2020 for other deliverables¹⁰

4.2.3. Review of operations of the Bank Gospodarstwa Krajowego (BGK) in the view of the possible rearrangement of transactions undertaken on behalf of government

Introduction

The aim of this item was to review the activities of a state development bank, Bank Gospodarstwa Krajowego (BGK) in the view of identifying transactions conducted on behalf of government. The mission of BGK is to support the social and economic development of Poland. It is classified in financial corporations' sector (S.12), however part of its activities that are assessed to be conducted on behalf of government, are separated from its main activities and rearranged to government accounts.

Discussion and methodological analysis

The BGK representatives presented updated information about the activities of the bank. BGK activities are comprised of:

- **banking activities** (on its own account), in which a major role is played by lending and guarantee activities as well as maintenance of accounts and deposits – activity carried out at the Bank risk are operations performed in accordance with the Act of Banking Law and are subject to the regulatory supervision.
- **commissioned activities** related to supporting the State as well as managing government programmes and EU programmes (on behalf of government) – BGK carries out government task on the basis of acts and agreements with ministries, also through funds established, entrusted or assigned to the Bank for which, by virtue of law, BGK keeps separate accounting books and prepares separate financial statement. These include:
 - **cash flow funds** – related to the management and administration of cash flows which are not recognized in the Bank's statement of financial position and the statement of profit or loss. Tasks in the formula of cash flow funds are carried out by the National Road Fund, the Railway Fund, the Thermo-modernisation and Repairs Fund, the Subsidy Fund, the Student Loan Fund, the Borrower Support Fund, the National Guarantee Fund, and Polish Science Fund.
 - **credit funds** - of which exposures are subject to credit risk and recognized in the Bank's statement of financial position and the statement of profit or loss, i.e. the Inland Waterways Fund.

In addition, BGK also carries out operations related to developing entrepreneurship using guarantees and supporting the export of Polish enterprises through investment funds and cooperation with guarantee funds and Export Credits Insurance Corporation (KUKI S.A.).

¹⁰ The note was provided to Eurostat on 4 January 2021.

The Polish authorities informed Eurostat that, in February 2020, GUS and BGK signed an agreement regarding confidentiality and the way of providing information. Under this agreement, GUS will receive the necessary information to identify activities\ projects \ transactions, which should be rearranged to the general government sector. In addition to the information on commission activities, GUS will be able to obtain information and thoroughly examine the BGK activities conducted at its own risk. The Polish authorities explained that the agreement specifies the purpose for which it is concluded, the scope and the type of provided information and the manner of its transmission, as well as the principles of confidentiality.

Findings and conclusions

Action Point 11. Eurostat welcomed the Memorandum of Understanding signed between the Polish Statistical Office and the BGK (Polish Development Bank) with regard to the quarterly exchange of information allowing the identification of operations undertaken on behalf of government. Eurostat expects to receive the note assessing the implementation of this arrangement and identified areas for improvement, if any. *Deadline: End of December 2020*

4.2.4. Review of developments in relation to the ‘Mieszkanie Plus’ program

Introduction

Under this agenda point, the developments regarding 'Mieszkanie Plus' housing program and their potential implications were analysed. Prior to the meeting, GUS provided an updated note presenting the scheme, the recent development, and the preliminary analysis of their statistical implications. The 'Mieszkanie Plus' housing program is supposed to provide support for the construction of housing at moderate prices and rents using public land.

Discussion and methodological analysis

GUS confirmed that, in the framework of the regulated part of the program, the new public unit, *Krajowy Zasób Nieruchomości* (KZN) was created and classified inside general government. KZN is publicly controlled since all members of the supervisory board are appointed by the supervising ministry. KZN is an entity established to carry out strictly defined functions (public policy purposes), i.e. it is to increase the availability of housing and create a stable framework for housing financing. All the daily activities of KZN as well as the administrative tasks are specified in detail in the legislation, so the range of independent decisions of the bodies of KZN is limited.

Findings and conclusions

Eurostat took note that the activities under this program were still in a preliminary phase and no housing investments had started. Eurostat took note of the information and asked to be updated once the housing investment of the KZN is started.

Action Point 13. The Polish statistical authorities will analyse in detail the recent legal changes related to the activities of KZN (*Krajowy Zasób Nieruchomości*, S.13), the regulated

part of the *Mieszkanie Plus* programme, and will report to Eurostat on the expected implications for government accounts, particularly with regard to the creation of SPVs with non-governmental units, the transfer of land to SPVs, the level of rents, etc. *Deadline: End of August 2020*¹¹

4.2.5. Review of the sector classification of public transport companies

4.2.5.1. Railways companies

Introduction

The sector classification of public transport companies in Poland was extensively discussed during the EDP dialogue visit in 2018. It resulted in, a number of action points asking the Polish authorities to analyse the source of revenues in detail. In particular the nature of subsidies received by railway companies. Following this extensive work, the market/non-market test was adjusted accordingly. A number of units were reclassified to general government, mainly due to the high level of subsidies on production received from government.

There is a considerable number of railway companies operating in Poland. Several are classified inside general government including 1) *PKP PLK* – a railway infrastructure operator, 2) *Przewozy Regionalne (Polregio)* – a regional passenger transportation company and a number of other companies dealing with regional passenger transportation.

Railway companies outside general government include *PKP SA* (parent company of PKP Group), *PKP Intercity* (passenger transportation), *PKP Cargo* (freight transportation) and some smaller units operating in specific regions of Poland.

Discussion and methodological analysis

The aim of the discussion was to review the situation, in particular the compilation and the results of the market/non-market test for the units classified outside general government. Prior to the visit, the Polish authorities provided very detailed information by unit, presenting an overview of subsidies received, the amounts of subsidies included and excluded from the sales, and the market/non-market test results with and without subsidies.

To start with, GUS explained that subsidies on products are advances extended by the government based on the financial plans and foreseen number of subsidised tickets (for students, disabled, etc). At the end of the year, there is a settlement based on the actual number of reduced tickets.

Next, Eurostat enquired about PKP S.A., the parent company of the PKP Group. The Polish authorities explained that this unit has its own activities, which make up a substantial part of its revenues (e.g. ownership/management of railways stations, land rental) and thus was not to be considered as a holding or head office.

¹¹ The note was provided to Eurostat on 4 January 2021.

Next, Eurostat asked how the appreciation of assets is considered in the calculation of market/non-market test. GUS replied that the primary data source are business accounting figures (values are taken from the profit and loss accounts of the entities). Eurostat raised the question if the application of the coefficient would better reflect the national accounts concept of fixed capital consumption

Concerning EU subsidies and investment grants, the Polish authorities explained that they are shown in the balance sheets as a liability. In general, cash data is the basis for the calculation of fixed asset values.

Findings and conclusions

Action Point 5: The Polish statistical authorities will closely monitor the results of the market/non-market tests for the regional railway companies *Koleje Wielkopolskie* and *Koleje Mazowieckie*, and investigate the need for adjustment of the business accounts depreciation by a coefficient in order to better reflect the national accounts concept of fixed capital consumption. *Deadline: End of August 2020*¹²

4.2.5.2. **Airline companies**

Introduction

At the end of 2017, the State Treasury set up a new unit **Polska Grupa Lotnicza S.A.** (PGL S.A. – Polish Aviation Group). As a sole shareholder, PGL S.A. was thought to eventually become a head office consolidating both the already existing and newly created entities in an aviation group. PGL S.A. is the parent company of:

- *PLL LOT SA* - a key company within the group, offering services in the field of air passenger and cargo transport (cargo). LOT and its subsidiaries has the largest share in the passenger transport market in Poland. The main shareholder of PLL LOT is the State Treasury.
- *LOT Aircraft Maintenance Services Sp. z o.o.* - an aircraft maintenance company
- *LS Airport Services S.A.* - a company dealing with ground handling, i.e. passenger and ticket handling at airports and ground handling of aircraft.
- New entities to be created

Since several aspects of this transaction were not clear, the capital injection was recorded as capital transfer in the April 2018 EDP Notification. Upon receipt of additional clarification from the Polish authorities, Polska Grupa Lotnicza (PGL) was considered to be a public holding company and thus reclassified to general government in the October 2018 EDP Notification.

Discussion and methodological analysis

Eurostat asked for an update regarding the activities of PGL, the financial situation, and prospects for the future.

¹² The note was provided to Eurostat on 4 September 2020.

GUS informed that there had been major developments in the activities of PGL regarding the scope of its operations. Some of them indicate that the unit has been transforming from a holding company in the direction of acting as a head office. In particular, the number of employees has grown to 25. There was also an increase in the scope of services provided to the subsidiaries, including management and financing aspects. GUS informed that it would await the final data for 2019 to re-evaluate the activities of the units and their statistical classification.

Additionally, the possibility of the purchasing by LOT of the CONDOR airlines from the bankrupted Thomas Cook travel company was raised for discussion. The Polish authorities stressed that the transaction was still in the negotiation phase and no agreements have been signed. GUS said that it would monitor the case and inform Eurostat when more information becomes available.

Findings and conclusions

Action Point 6: The Polish statistical authorities will monitor closely the PGL S.A. (Polish Aviation Group S.A.), on whether the changes in the company's activities (e.g. taking over the management of the subsidiaries, the subsequent increase in the number of employees, changes in the sources of revenues) justify its classification as a holding company. *Deadline: End of December 2020*

4.2.6. Review of relations/transactions between the government and coal mine companies

Introduction

In the restructuring process of the public coal mine holding company, Kompania Weglowa (KW), two companies play a significant role. The first one, Spółka Restrukturyzacji Kopalń (SRK), the government owned coal mining restructuring company, took over several coal mines from KW which had been assessed as unprofitable and without positive future outlook. SRK is classified within general government.

The second company, Polska Grupa Gornicza (PGG), a new unit, was created to acquire and consolidate the best performing assets of Kompania Weglowa and to manage the outstanding debt of the distressed holdings. The shareholders of PGG included public companies, most of them major players in the energy sector and one government entity. PGG is classified in the sector of non-financial corporations.

Some of the coal mines that were taken over by PGG were decommissioned shortly after and transferred to the government and held by SRK. During the EDP visit of 2018, Eurostat analysed the financial flows related to this transaction and concluded that PGG took over 240 mln PLN of assets in exchange of 1.2 bln PLN of liabilities, providing a clear benefit to KHW. As a result, the government and public companies were forced to recapitalize PGG with an amount of 1bln PLN. Eurostat was of the view that there were strong indications that this injection was done for public policy purposes rather than commercial reasons. As a result, the transaction was rearranged via government accounts with an impact on government deficit and debt.

Discussion and methodological analysis

Regarding PGG, Eurostat enquired about the recent report published by the Polish Court of Auditors on the valuation of assets purchased by this entity from KHW. In particular if they identified any elements that would require recording of additional capital transfer related to these transactions. GUS agreed to analyse the Report and come back to Eurostat with the detailed feedback.

Prior to the meeting, the Polish authorities had provided updated information on the recent developments related to coal mines as well as the detailed financial data for the five biggest coal mine companies.

The major events taking place since 2018 were further transfers of non-profitable coal mines to the government. More specifically, six coal mines were transferred free of charge from PGG to SRK. Another unit, Katowicki Holding Węglowy (S.11) was also taken over by SRK for a symbolic sum in January 2019. In reaction to this information, Eurostat enquired about the statistical treatment of the expected decommissioning (closing-down) costs linked to the coal mines transferred to the government, in particular if the decommissioning costs were taken into account when calculating the net assets of the transferred companies. The Polish authorities were not able to provide an immediate response as they did not have the necessary details about the valuation of the assets.

Eurostat stressed the importance of this issue and highlighted that the 2019 MGDD provides updated guidance on the treatment of decommissioning costs. It has been clarified that a capital transfer should be recorded to match an imbalance between the value of assets and the decommissioning costs, as assessed at the time of the transfer. Eurostat asked the Polish authorities to investigate the issue further and, if found relevant, to assign the capital transfer in the years concerned.

Next, the discussion focused on the results of the market/non-market tests for the largest coal mines. Eurostat pointed out that Tauron Wydobycie S.A. showed a significantly deteriorated test result for 2018. The company showed a decrease in net revenues by 30% and an increase in net expensed by 50%. The Polish authorities suggested that the increase in net expenses could be due to a write-off on the mining assets that could not be used any longer. Trying to understand the situation, Eurostat asked several questions regarding the link between the presenting of a write-off in the financial statements and its treatment in the market/non-market test. Eurostat recalled that, in general, the impairment of assets should not be considered in the calculation of market/non-market test and advised GUS to revisit the calculation in this regard.

Findings and conclusions

Action Point 7. Regarding the transfer of coal mines to *Spółka Restrukturyzacji Kopalń* (S.13), the Polish statistical authorities will investigate if the estimated future decommissioning costs had been considered in the value of net assets transferred and will record a capital transfer expenditure for an imbalance, if needed. *Deadline: Report to Eurostat – end of August 2020; implementation, if needed, October 2020 EDP notification.*¹³

¹³ Implemented in the context of the October 2020 notification.

Action Point 8. In the context of the recently published report of the Polish Court of Auditors as regards the valuation of assets purchased by the PGG S.A. (*Polska Grupa Górnicza S.A.*), the Polish statistical authorities will analyse if the recording of an additional capital transfer expenditure is appropriate. *Deadline: End of August 2020*¹⁴

Action Point 9. Concerning TAURON Wydobycie S.A., the Polish statistical authorities will investigate the results of market/non-market test for 2018, in particular the presentation of write-offs in the company accounts and their treatment in the compilation of the test. *Deadline: End of August 2020*¹⁵

4.3. Implementation of accrual principle

4.3.1. Accrual taxes and social contributions

Introduction

In the context of data sources, GUS uses databases from the Ministry of Finance that in turn are based on information from tax offices for the calculation of the VAT for GDP and EDP purposes. The database provides information on cash revenues and expenditure, as well as on receivables and payables. VAT refunds are presented with a negative sign in the same database as receipts from VAT. During the preparation of the EDP notification and calculation of GDP data, GUS does not make any adjustment due to VAT refunds. The Polish statistical authorities use a one-month time adjustment to calculate accrual data for VAT revenues, including VAT refunds.

Findings and conclusions

Prior to the visit, the Polish authorities provided an extensive description of the changes in the Polish tax system. Following the analysis of the documentation provided, Eurostat did not identify any elements that would have major and direct impact on the EDP data in the upcoming notification.

4.3.2. Accrued interest

Introduction

The methodology for the calculation of government accrued interest payable was discussed. Interest expenditure and revenue are registered in the State Budget on a cash basis. Data concerning the difference between interest paid (+) and interest accrued (-) (EDP D.41) is obtained from the Ministry of Finance. The calculation of the servicing costs of Treasury securities is based on a security-by-security database. Using this information, accrual adjustments are made.

For local government budgetary units, data for interest on an accrual basis are calculated using cash values adjusted by claims and liabilities from the Budgetary Reporting of MoF.

¹⁴The note was provided to Eurostat on 4 September 2020.

¹⁵ The note was provided to Eurostat on 4 September 2020.

For other central and local government bodies, data on interest are available directly on accrual basis.

Regarding government securities, the working balance includes flows associated with premiums and discounts which are on a cash basis. In EDP table 2 the working balance includes premiums and discounts, which are then eliminated in other accounts receivable. In the national accounts, premiums are removed from revenue and treated as negative expenditure.

Discussion and methodological analysis

Eurostat clarified the technical issues regarding the recording of Interest in EDP Tables 2 and 3. As a result, a number of presentational improvements were suggested to be implemented in the upcoming EDP notification. The changes would not have any impact on deficit and debt figures.

Action Point 24: The Polish statistical authorities will update the EDP tables 2A and 3B and the table on the recording of interest taking into account the discussions on coupon sold, discount at repurchase and discount and premium repurchased. *Deadline: end of March 2020.*¹⁶

4.3.3. EU flows

Introduction

Since 2015, the stock of receivables of general government against the EU has been gradually increasing. The issue was raised during the clarification rounds asking the Polish statistical authorities to investigate the reasons of this accumulation of receipts for reimbursement from the EU. The Polish statistical authorities explained that the rise in the stock of receivables against the EU is due to the increase in expenditure in comparison to inflows from the EU in the form of both advance payments and reimbursement of expenditure.

The Polish statistical authorities explained that the expenditure is recognised when the money is spent (at issuance of the invoice), after the application for reimbursement has been accepted. Then the invoices are sent to Brussels for reimbursement. In general, there should be no prolonged delays in the actual EU payments, unless the EU suspends payments and expenditure must be further justified. In the end, in the October 2019 notification, the data for the stock of receivables against the EU was significantly revised for the year 2018. In the clarification process, the Polish authorities explained that it was linked to the change in the presentation of data undertaken by the Ministry of Finance and provided a detailed technical explanation.

¹⁶ Implemented in the context of April 2020 EDP notification.

Findings and conclusions

Due to the time limitations, no discussion on this agenda point took place during the visit. Nevertheless, Eurostat informed that it took note of the explanations during the clarification round and recommended close monitoring of the data series in the next notifications.

4.3.4. Military equipment expenditure

Introduction

The recording of military equipment follows the general Eurostat rules. Amounts are being recorded on a delivery basis when the economic ownership is transferred to government. The information on deliveries is obtained directly from the Ministry of Defence, as in the budgetary reporting the recording of military equipment follows the cash expenditure. There are multi-annual programmes for the purchase of military equipment linked to the on-going modernisation.

Discussion and methodological analysis

The Polish authorities informed Eurostat that the budget for military equipment has been increasing in the recent years, which is partly also reflected in the increased pre-payments reported. In return, in the next years there is an acceleration of deliveries expected.

Next, the process of accepting deliveries was investigated in detail. The Polish authorities explained that, in general, the deliveries (e.g. purchase of airplanes) are recognised following the formal acceptance of the equipment and all its functionalities. Upon accepting the delivery, the relevant information is provided to GUS on a quarterly basis.

However, in case of multi-stage investment process (e.g. construction of ships, submarines), the partial deliveries are recognised triggering the payments (or unwinding of pre-payments). As a result, related expenditure is gradually shown in the government accounts despite there is no change in economic ownership. The relevant data is included in the quarterly reporting by Ministry of Defence to GUS.

Findings and conclusions

Eurostat welcomed the transparency of the explanations provided by the Polish authorities. Regarding the recording of multi-stage investments, Eurostat pointed out that the most common practice observed in the Member States is to record the expenditure at the time of final deliveries.

4.3.5. Gross fixed capital formation

Introduction

Data on gross fixed capital formation of general government are obtained from budgetary and statistical reporting as well as directly from the units. Appropriate statistical adjustments are made to obtain data consistent with the national methodology.

Discussion and methodological analysis

The Polish authorities explained that for estimation of general government expenditure, data from budgetary reporting include both the acquisition (new and used) and the disposal of non-financial produced assets (expenditure and income paragraphs). Budget reports prepared based on cash data are calculated into accrual accounting using the algorithm. On the other hand, data compiled from statistical reporting are accrual, but they do not include the purchase of used fixed assets or their disposals.

It was further explained that, in the Polish national accounts, for the economy as a whole, gross fixed capital formation is compiled as expenditure on new assets whilst the acquisition of used assets is not calculated as no assets disposal is developed. This methodology is the subject of the Action Point 17 under GNI that is expected to be implemented by September 2021. However, it is anticipated that the implementation of this action point (including the distribution and purchase of used assets produced for all S.13 units) will not have a big impact on the level of expenditure in the general government sector.

Next, Eurostat briefly reviewed the reporting forms used for estimations of GFCF and enquired in detail about the accrual adjustments. Due to technical complexity of procedures, the issue was assigned for a written follow up.

Action Point 20: Using examples of major adjustments, the Polish statistical authorities will provide to Eurostat a note explaining the compilation of the accruals in national accounts and the data sources used. *Deadline: End of September 2020*¹⁷

4.3.6. Court decisions with impact on government accounts

GUS explained that it obtains information about open court cases mainly from the Ministry of Finance and the media. According to the information available to GUS, there were no ongoing court cases with potentially major impacts on government deficit and debt.

4.4. Recording of specific government transactions

4.4.1. Public Private Partnerships, concessions, and energy performance contracts

Public-Private Partnerships (PPP)

Introduction

Prior to the meeting, the Polish authorities sent to Eurostat the updated list of all PPP projects, including the amounts involved and the information whether the PPP is recorded on the balance sheet of the government or of the private partner. In particular, the detailed documentation regarding the Bypass of the Tri-City Metropolis project was provided for Eurostat's analysis.

¹⁷ On-going. Deadline re-scheduled until end December 2020.

Discussion and methodological analysis

The Polish authorities recalled that the provided list of the PPP projects covers exclusively the PPP projects in the understanding of national accounts. It is particularly important to stress in the context of the significantly broader concept and the different definition of a 'private-public partnership' existing in the Polish law. It was re-confirmed that all projects identified as PPP projects in statistical terms are classified on government balance sheet.

GUS also re-confirmed that the main source of information about potential projects is the database of public-private undertakings (according to the Polish PPP definition) operated by Ministry of Economic Development. Out of this pool, GUS analyses the contracts of projects with availability payment or other types of payment from general government in detail. The database includes information on both on-going and planned projects.

Regarding planned projects, GUS explained that there are around 130 planned projects (according to the Polish PPP definition) at different preparatory stages and volume. For practical reasons, an ex-ante analysis is made for the biggest projects with already defined financial rules (e.g. Bypass of the Tri-City Metropolis project) or at the request of the public partner.

GUS informed that it was in the process of analysing two local projects that started in 2017: road project in Słupsk and school building in Piastów. The results are foreseen to be incorporated in the April 2020 EDP Notification.

PPP Tri-City Metropolis Project

Next, the discussion focussed on the PPP project for the bypass of Tri-City Metropolis. This PPP was in an advanced planning phase. The project comprised the completion of the design works, the construction works, the provision of financing, the maintenance and ensuring the availability of the expressway along the section of the Tri-City Metropolis bypass. In exchange, a public partner was foreseen to pay regular remuneration. In view of the advanced stage of the draft contract, the Polish authorities asked Eurostat on 30 August 2019, for an opinion concerning the appropriate statistical recording of the project in national accounts and in the EDP statistics.

Eurostat replied on 24 September 2019 pointing out that the documentation provided was incomplete for the purpose statistical analysis. It stressed that the information on the project's financial model had not yet been made available. At that stage, Eurostat considered not meaningful to undertake an appropriate statistical analysis and to decide on the statistical recording of the project. Following this feedback, the Polish authorities provided Eurostat with the updated documentation, including the description of the foreseen financial model as well as the detailed statistical analysis of risks and rewards related to the project. Consequently, the discussion on the Tri-City PPP project was put on the agenda of the EDP dialogue visit to Poland of 11-12 February 2020.

During the meeting, Eurostat thanked the Polish authorities for the documentation provided. It welcomed the information on the financial model and the detailed analysis of risks and rewards related to the project prepared by GUS.

Furthermore, Eurostat highlighted some essential elements for the sector classification of the PPP. It recalled of the importance of a potential involvement of public banks in the financing of the project. The level and the character of such an involvement should be closely investigated and might have an impact on the statistical recording of the PPP project. Eurostat recalled, that according to the PPP guide, *financing by a public entity classified outside the general government sector (e.g. a national public bank classified as a public corporation) is considered to be government financing if the public entity is considered by Eurostat to be acting on behalf of or on an express or implied instruction of government in connection with the project.* Eurostat encouraged the Polish statistical authorities to analyse the conditions under which public banks would participate in the financing of the project, and in particular, whether they are acting as any other private bank would act from a commercial point of view.

Findings and conclusions

Eurostat concluded that based on the additional information provided by the Polish authorities, it would be able to finalise the statistical analysis and express its opinion on the statistical recording of the project. Eurostat stressed that the opinion would have a preliminary character and could be changed after financial close of the undertaking.

Action Point 27: Considering the additional documentation provided with regard to the Public Private Partnership for the bypass of Tri-City Metropolis, Eurostat will send to the Polish statistical authorities a reply to the *Ex-ante request* presenting its preliminary view on the statistical recording of this project. *Deadline: end of March 2020*¹⁸

Concessions

Introduction

Concession contracts in Poland are based on the '*Act on concession on construction work or services*'. However, in addition to the regular concessions, there are also so-called concessional private-public partnerships that, in statistical sense, are also concessions as the final users are the main payers.

Discussion and methodological analysis

The Polish statistical authorities explained that, according to the above-mentioned Act, the concessionaire bears the risks connected with the building, exploitation or the providing of services and it is exposed to market fluctuations. It means that, according to the law, even if the concessionaire functions properly, it does not have the guarantee to recover the

¹⁸ The Eurostat reply was sent to the Polish statistical authorities on 24 March 2020. <https://ec.europa.eu/eurostat/documents/1015035/10348075/Advice-2020-PL-Statistical-recording-of-the-PPP-project-expressway.pdf/7804197d-043b-cf9b-fb54-c954608907a8>

investment costs or the costs connected with the building exploitation or the costs of the services defined in contract. This principle is formulated directly in the act.

The Polish statistical authorities re-confirmed that the essential rule for concessions in Poland is that government payments are the minority of the concessionaire revenue. They added that, according to their knowledge, most of the investment costs in such types of undertakings are born by the concessionaire. Taking this into account, concessions are generally classified outside the general government sector in Poland.

Regarding the so-called concessional PPPs, GUS analyses the fundamental parameters, meaning the short description of the project, the amount of capital expenditure, the financing sources, and the remuneration rules. So far, GUS did not identify any project that should be classified in general government. The projects identified so far are undertaken by local governments and concern areas such as transport services, car-parks, broadband networks, services connected with the sport and touristic infrastructure, public transport infrastructure and management of facilities (e.g. technology parks, congress centres). The counterparts were private companies.

Findings and conclusions

Eurostat took note of the explanations provided by the Polish authorities. It indicated that particular attention should be paid in case there are changes in the projects relating to the set-up, the public nature of the concessionaire, revenue sources, or increasing government involvement in investment costs.

Energy performance contracts (EPC)

Introduction

The Eurostat Guidance Note on EPC of 7 August 2015 was implemented and that the assets related to EPC contracts signed from 2015 onwards are classified in the general government sector. In September 2017, Eurostat published a guidance note on the recording of EPCs in government accounts. In the meeting, the discussion focused on the implementation of this guidance note.

Discussion and methodological analysis

To start with, GUS provided an update on the energy performance contracts in Poland. It informed that eight municipal/city contracts had been identified since 2015 and all of them are classified on government balance.

Moreover, GUS explained that all the EPC contracts analysed so far follow a similar set-up. Their main characteristic is a clear distinction between payments made in the investment phase and payments in the operational phase. Although payments for the investment part are usually paid back during the whole life of the contract, the default in the operational phase or lack of savings have no influence on this part of payments. Independently of the level of services and the level of performance in the operational phase, the private partner always received the return of investment costs (regardless of the savings achieved). Moreover, the

contracts often foresee limits of penalties, e. g. 40% of investment costs. GUS interprets these clauses as a minimum revenue guarantee and, for these reasons, the projects are recorded in the accounts of general government.

Findings and conclusions

Eurostat took note of the information provided and highlighted growing importance of the EPC in the context of the Green Deal initiative of the European Commission. In this respect, Eurostat pointed out that the EPC Guide¹⁹ provides detailed guidance and gives examples of the cases when such contracts could be classified off government balance sheet.

4.4.2. Guarantees

Introduction

The Polish statistical authorities provided a list of outstanding guarantees for the central and local government subsector, by guarantee called and repaid.

Discussion and methodological analysis

Eurostat reviewed the data on government guarantees for the years 2015-2018. The main beneficiaries of the guarantees in recent years were the PKP Intercity S.A. (a passenger railway company) and the Bank Gospodarstwa Krajowego. The Polish statistical authorities confirmed that, in both cases, the guaranteed debt is properly serviced and there were no guarantee calls recorded.

Furthermore, the Polish statistical authorities confirmed that the ‘three calls rule’ is being applied, i.e. repeated calls on a guarantee over three consecutive years lead, in the third year, to the debt assumption of the total remaining debt under guarantee. However, there were no such calls in the past years.

Analysing the listing of the guarantees granted by central government, Eurostat pointed out that guarantees in relation to *Autostrada Wielkopolska* and Housing Associates disappeared from the listing in 2017. In reply, the Ministry of Finance that guaranteed loan for *Autostrada Wielkopolska* was paid though the EIB loan whereas guarantees for housing associations expired that year.

Analysing in detail the EDP questionnaire tables 9, Eurostat observed that the stock of the assumed debt is reported at zero for all the EDP notification years. However, there are some amounts reported in Table 9.1, in the line ‘guarantee cash calls relating to assumed debt in ESA2010 (debt repayment in ESA2010 accounts)’. It would indicate that there is some extinguishing of the debt assumed in the past that should have been matched with capital transfer at the inception. Due to technical complexity, the Polish authorities asked to follow-up the issue after the meeting. Nevertheless, they indicated that it might be linked to current reporting convention that regards guarantee cash calls and repayments linked to standardised

¹⁹ https://www.eib.org/attachments/pj/guide_to_statistical_treatment_of_epcs_en.pdf

guarantees to be related to the debt assumed by government. Eurostat agreed to investigate the further and if needed, to improve the reporting in the forthcoming EDP notifications.

Findings and conclusions

Action Point 25: The Polish statistical authorities will clarify the nature and the recording of guarantee cash calls, related to the assumed debt, reported in the Questionnaire tables 9.1 and 9.2, the EDP tables 2, and will clarify the stock of assumed Maastricht debt related to these guarantee calls.²⁰ *Deadline: partial implementation - end of March 2020, full implementation – end of September 2020*²¹

4.4.3. Government claims; debt assumptions, debt cancellations and debt write-offs

Introduction

Eurostat reviewed the data on government claims, debt, debt cancellation and debt write-offs by government for years 2015 - 2018, submitted by the Polish statistical authorities before the visit.

Discussion and methodological analysis

First, the Polish statistical authorities re-confirmed that there were no new debt assumptions in the years 2015-2018. They also confirmed that they record a capital transfer as counterpart transaction in national accounts if a debt cancellation takes place.

GUS pointed out that the data sources for these transactions at the level of local government was improved by the implementation of a new reporting form RF-03 aimed at non-cash transactions of local government.

Findings and conclusions

Eurostat took note of these explanations and pointed out the need to improve the reporting of debt assumptions in Questionnaire Table 9 to show the correct stock of debt assumed in the past years.

4.4.4. Capital injections into public corporations, dividends, privatization **Introduction**

Introduction

Under this agenda item, Eurostat enquired about the data sources for the capital injections and the frequency of obtaining the relevant information by GUS. Then, the discussion focussed on the compilation of the super-dividend test, and in particular the proxy used for the “entrepreneurial income”.

²⁰ Implemented in the context of April 2020 EDP Notification.

²¹ Implemented in the context of April 2020 EDP Notification.

Discussion and methodological analysis

Capital injections

Firstly, Eurostat reviewed the data source used by GUS for the capital injections and the procedure applied for compilation of the 'capital injection test'. GUS confirmed that the information on capital injections are provided by government departments undertaking such transactions with the means of a tailored reporting table. After collecting the data, the capital injection test is performed on a case-by-case basis. Generally, the most important criterion for the classification of injections is the operating profit of the company for the last three years. In case when a company had operating losses for three years in a row or made any exceptional one-off loss, a capital injection is recorded a non-financial transaction for the full amount. Otherwise, the capital injection is recorded as a financial transaction. GUS also investigates the participation of private shareholders in a capital injection and if the shares of the company are quoted or unquoted. In case the injection is made into a new corporation, GUS checks if the new unit will not be used only for public policy purposes or if, after a "normal" temporary period of losses (start-up losses), the corporation would be structurally profitable. If the above conditions are fulfilled, such a transaction is treated as a financial transaction for its full amount.

For local government, GUS explained that the information on capital injections is obtained through data from the budgetary reporting and the form RF-03. GUS informed that, for local government, capital injections are not significant, and they do not appear each year for the same companies. In addition, all purchases of shares and equities by local authorities are treated as non-financial transactions (with impact on B.9).

Next, in the context of the forthcoming April 2020 EDP Notification, Eurostat enquired about the capital injections undertaken in 2019. GUS replied that complete information was not yet available and was expected to arrive in the first week of March. Eurostat highlighted the importance of the timely availability of information for to allow a timely analysis of the statistical implications.

Furthermore, Eurostat pointed out some minor inconsistencies between the EDP Questionnaire Tables 10 and the ad-hoc information provided prior to the visit. The inconsistencies particularly concerned the totals reported for capital transfers and equity injections, which might be partly attributed to some transactions rearranged through government accounts. Eurostat requested that some presentation aspects of the reporting should be further fine-tuned when presenting data for all EDP years for specific entities detailed for capital injections and dividends.

Finally, the Polish statistical authorities asked Eurostat for more detailed recommendation regarding the recording of the re-arranged transactions in government accounts. In particular, the discussion was focussed on the attribution of government debt in relation to capital transfer and the modalities of a potential future amortisation/extinguishment in case of lack of cash flows. Eurostat confirmed that the issue requires further attention and different approaches are being considered by the statistical community. Eurostat recommended GUS to

follow the current approach (i.e. imputation of debt through recording F.3 or F.4) until the methodological discussions reach conclusions in this respect.

Findings and conclusions

Action Point 14: The Polish statistical authorities will update the EDP Questionnaire tables 10 by improving the overall presentation and ensuring the reconciliation with the ad-hoc table on capital injections.²² *Deadline: end of March 2020.*

Dividends

Introduction

For central government, information on dividends received by government is obtained from the Ministries that exercise the ownership rights over public enterprises. In general, GUS carries out the super-dividend test twice a year, before the April and October notifications, and it is applied to all dividends paid to the central government.

For local government, GUS obtains the aggregated information on dividends from the Ministry of Finance. As a next step, GUS sends a request to local governments to obtain the names of companies which paid-out dividends. Then, GUS carries out the super-dividend test, however, only for the biggest transactions (i.e., for payments above 10 mln PLN). Due to the late availability of the source data (RF-03 form, T+8 months), the test is carried out only once a year: before the autumn notification. In spring notifications, GUS includes an estimation based on the historical levels of super-dividends for local government.

Interim dividends are uncommon in Poland. If they occur, they are recorded as a non-financial transaction up to the limit of the operating profit earned during the part of the year elapsed until the payment was decided. In case when dividends exceed this amount, they are recorded as a financial transaction.

Discussion and methodological analysis

The discussion focused on the calculation of the proxy for ‘entrepreneurial income’ used in the compilation of the super-dividend test. The Polish statistical authorities explained that, by default, they use the operating profit as published by units in their financial reports, i.e. profit and loss statements.

While carrying out the super-dividend test, the dividends received are compared with the operating profit from the previous year since dividends paid are usually based on the results of the previous financial year.

²² Implemented in the context of the April 2020 EDP Notification.

Based on this information, Eurostat investigated the accounting components contributing to the *published figure* of operating profit in detail. It was concluded that the formula needs adjustments, specifically for the treatment of non-financial fixed assets, inclusion of net interest and taxes on profits.

Eurostat recalled that, in the light of 2019 MGDD, the tax on profits should be part of costs for the purpose of the super-dividend test in line with the definition of distributable income.

During the discussion, it became also apparent that in Poland there are different formats of chart of accounts (especially profit and loss reports) to be used by non-financial, financial/insurance companies and banks. The differences are significant and require additional adjustments of the super-dividend test depending on the profile of the corporation to correctly follow the MGDD guidelines.

The case of the super-dividend for the Polish Central Bank (NBP) was also raised. In this case, GUS already applies a tailored test, and no further corrections seem to be needed.

The Polish authorities informed that, for capital groups, they use the consolidated results for the purpose of the super-dividend test. They can distinguish capital groups by a registration number, REGON. Eurostat welcomed this approach and said that it is in line with the 2019 MGDD.

Findings and conclusions

Action Point 15: As regards the compilation of the so-called ‘*super dividend test*’, the Polish statistical authorities will adapt the formula used for calculating the relevant ‘profit’ figure by:

- a. *excluding* gain on disposal of non-financial fixed assets, loss on disposals of non-financial fixed assets, revaluation of non-financial assets,
- b. *including* net interest result and tax on profits (adjusted if needed) under costs.

The re-calculated results will be provided to Eurostat. *Deadline: end of March 2020*²³.

Action Point 16: The Polish statistical authorities will provide to Eurostat a note explaining the presentation of results of the Polish Central Bank (NBP) over the years and the details of the ‘*super dividend test*’ calculation. The Polish statistical authorities will also send to Eurostat a chart of accounts applicable to banks. *Deadline: end of June 2020*.²⁴

²³ Implemented in the context of October 2020 EDP Notification.

²⁴ The note was provided to Eurostat on 26 June 2020.

4.4.5. Pension reform

There were two key issues discussed under this agenda item. First, some aspects of the statistical recording of the 2013 pension reform were revisited. Next, the Polish authorities presented the forthcoming changes in the pension system planned for 2020.

4.4.5.1. Recording of transactions related to 2013 OFE reform in the EDP tables

Introduction

In 2013, Poland reformed its pension system in relation to the assets accumulated in open pension funds (OFE), the second pillar of the system. In result, 51.5% of accumulated assets were transferred to the first (unfunded) pillar, the Social Insurance Fund (FUS).

In addition, the 2013 pension reform also provided a gradual transfer of all assets belonging to a partial member accumulated in OFE to FUS, starting 10 years of less before retirement – the so called ‘security slider’.

The transfer of assets (in the form of a lump sum and as ‘security slider’) was regarded as a pre-payment of social contributions and recorded as a financial advance (AF8). In the future, these obligations should be reduced in proportion to the related payments of pension. The provisions of the reform and technical details of the statistical recording in the GFS/EDP was extensively discussed and consulted by GUS with Eurostat. The letters presenting Eurostat advice are published on the Eurostat website²⁵.

Discussion and methodological analysis

During this visit, GUS briefly recalled the recording followed in 2014. The transactions related to the transfer of assets to government were recorded through transactions in the financial account. Nevertheless, the redemption of (transferred) State Treasury bonds was presented through the securities other than shares (F3) other changes in volume.

Eurostat raised question about the mechanism used for imputation of revenue (D.75) in proportion to the expenditure (alongside with a reduction in AF8). More specifically, it enquired if the revenue was imputed based on the monitoring of accounts for actual payment of pensions or it was based on the expected cash flows resulting from the actuarial calculations.

The Polish authorities explained that data on the actual payments of pensions from funds taken over from OFE are not available. Therefore, GUS makes the imputations based on data regarding the payment of capital pension provided by the Social Insurance Institution (ZUS).

Furthermore, Eurostat enquired about the method used for calculation of the present value of pension obligation at the time of the transfer. This aspect is linked to the question if the

²⁵ <https://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure>

transfer was balanced or not, i.e. if the ‘lump sum’ paid to the government matched or would match the pension obligation taken on by government. GUS answered that it would need more time to investigate the issue to be able to provide a precise answer to this question.

Action Point 17: The Polish statistical authorities will show explicitly the adjustment “security slider” in the EDP table 2D. *Deadline: end of March 2020*²⁶

Action Point 18: The Polish statistical authorities will send to Eurostat further information on the 2013 pension transfer in particular specifying the discount rate applied in the actuarial calculation of the present value of pension obligations. *Deadline: end of June 2020*²⁷

4.4.5.2. On-going changes to the pension system

Introduction

The Polish authorities are implementing the next phase of the changes in the pension system. Prior to the visit, the Polish authorities prepared extensive documentation on the planned changes and their expected impact on government accounts.

Discussion and methodological analysis

Pracownicze Plany Kapitałowe

The first element of changes in the pension system is the establishment of an additional saving scheme, called Employee Capital Plans (*Pracownicze Plany Kapitałowe – PPK*). The relevant legal act entered into force on the 1st of January 2019 and then was amended on the 16th of May 2019. The Polish authorities described the key elements of the PPK and presented its proposal for the recording in national accounts.

The Employee Capital Plans are aimed to become an additional long-term retirement saving scheme for employees co-funded by employees, employers, and the state. In summary, every employer who employs at least one person is obliged to create a PPK for her/his employees. Employee participation in the system is voluntary and the PPK savings will be inherited. The implementation of his new saving scheme will be gradual and it will initially only concern the largest companies. Micro-entrepreneurs and public finance units are expected to join the scheme in 2021.

The Polish Development Fund (PFR) has been entrusted with the implementation of the PPK program. It will maintain the system of records and settlements and will keep the registers of PPK participants and financial institutions allowed to offer PPK. Only financial institutions approved by the Polish Development Fund (PFR) and supervised by the Polish Financial Supervision Authority (KNF) will be able to manage savings accumulated under PPK.

²⁶ Implemented in the context of April 2020 EDP Notification.

²⁷ On-going. Deadline re-scheduled for end December 2020.

The Employee Capital Plans will be not covered by the guarantees of the Bank Guarantee Fund, however the legislation will impose restrictions on how PPK savings can be invested.

Based on information available at this stage, GUS explained that it found appropriate to record the PPK within the social insurance scheme, as an employment-related system. They highlighted that even though the PPK is a voluntary scheme, the participation is strongly encouraged by the level of employer contributions envisaged by the scheme. Considering this, GUS is of the opinion that the PPK scheme fulfils the characteristics of a social insurance scheme (ESA 2010, par. 4.88, 17.03). GUS also informed that the PFR activities in the scope of PPK would be regarded as activities on behalf of the government and, as such, will be subject to rerouting via government accounts.

Conversion fee

The second part of the forthcoming reform is the dismantling of the second pillar of the Polish pension system - the open pension funds (OFE). The legislative process has not yet been finalized and some implementation aspects are still under discussion. Nevertheless, the Polish authorities presented the main framework of the planned changes as known at that stage.

The main aspect of the reform is that every participant in the second pillar will have to transfer funds accumulated in OFE to either the newly created Individual Retirement Accounts (IKE, private, subject to inheritance) or to the ZUS (Social Security Institution, 1st pillar).

Based on the draft legislation, the funds will be transferred to IKE by default. The option of transferring the funds to ZUS will require OFE members to submit a special application to ZUS. In ZUS, the transferred amounts will be kept on individual accounts whereas the corresponding assets will go to Demographic Reserve Fund (FRD)²⁸.

Tentatively, and pending the approval by the Parliament, the legal act relevant for this part of the reform should enter into force on the 1st of June 2020. It is envisaged that in June to August 2020, OFE participants will have time to decide on a transfer of funds from OFE to ZUS and submit the appropriate application. The option of the IKE selection does not require any activity – the funds will be transferred automatically.

²⁸ The Demographic Reserve Fund acts as a reserve fund for the pension fund separated in the Social Insurance Fund (FUS). The Demographic Reserve Fund has legal personality. The Social Insurance Institution is the administrator of FRD funds under the Act on the social insurance system.

The pay-outs of benefits from the first pillar, the Social Insurance Fund (FUS) managed by ZUS, are subject to income tax. The benefits from the newly created Individual Retirement Accounts (IKE), will not be subject to income tax when paid out. However, a so-called ‘conversion fee’ of 15% will be imposed on the funds transferred from OFE to IKE. According to the draft provisions, the lump sum payment is planned to be spread over 2 years.

Based on the information provided during the meeting, Eurostat expressed its preliminary view that, following the ‘*substance over form*’ principle used by national accounts, the conversion fee has the character of an income tax prepayment at the moment of transfer. Eurostat considered that, in government accounts, the current tax on income (D.51) should be accrued following the future pension payments.

Regarding the statistical recording of the transfer of assets from the second to first pillar, Eurostat agreed to the proposal of GUS that it should be registered as transactions (and not as other changes in the volume of assets), similar to the pension reform of 2013.

Action Point 10. Based on the information provided and the discussions during the meeting, Eurostat considers that the conversion fee charged on the assets transferred to individual retirement accounts (IKE), to be paid as a lump sum, should be considered as a tax prepayment in 2020. The current tax on income (D.51) revenue should be accrued in government accounts following the future pension payments. *Deadline: End of March 2020*²⁹

4.4.6. Emission trading permits

Introduction

The amounts collected from the sale of emission permits should give rise to revenue of *tax on production* (D.29) according to ESA 2010 15.40. The appropriate time of recording is the triggering of the event, i.e. the moment emissions are made, to be approximated by the time at which permits are surrendered. In Poland, the first auctions of emission permits took place in 2013. The ‘first in first out’ method (in practice cash with a one-year lag) is used to calculate the tax revenue from the sale of emission permits. The available data sources do not include information about foreign emission trade permits surrendered in Poland.

Discussion and methodological analysis

The Polish statistical authorities provided a completed questionnaire on emission permits and a note describing the calculation of the tax revenues. They also informed that, in 2019, a sale of *special* emission permits took place. These were permits which were reserved in the past but finally not used. The proceeds from this sale were recorded as revenues from a newly created Fund for Compensation of Price Difference (Fundusz Wypłaty Różnicy Ceny) (80%) and National Fund for Environmental Protection and Water Management (20%). Both units are classified in general government. The Polish authorities explained that the funds received by Fund for Compensation of Price Difference were allocated for the payment of so-called “amounts of differences in price”, following regulatory measures to keep stable energy prices

²⁹ Discussion was postponed until finalisation of legal acts.

for final customers. The compensation was to be made to energy trade and distribution companies due to lost revenues. The proceeds from the sales of *special* emission permits were recorded in the same way as other ETS emission permits (as D.29, with one-year lag) and the funds transferred to companies as subsidies (D.39).

Findings and conclusions

Eurostat took note of the information provided.

4.4.7. Financial derivatives

Introduction

Prior to the meeting, the Polish authorities provided a detailed note on the types of derivative transactions active at the end of 2019 and their reporting in EDP/GFS data. The main financial derivatives used are:

- *Off-market interest rate swaps (IRS)* concluded on the domestic market and used almost every year for the liquidity management of the State budget. These are short term transactions (maturity below 1 year) where the Ministry of Finance makes an up-front payment. These transactions are reported in the EDP/GFS data, according to the MGDD, as loan granted by the State Treasury whereas the market component of the swap and the interest on the security is reported separately.
- *Cross currency swaps (CIRS)* related to existing T-bonds denominated in foreign currencies. The EDP debt is reported 'after swap' and the interest on securities is reported separately from the cross-currency cash flows.

Discussion and methodological analysis

The Polish authorities completed the voluntary table on derivatives and provided it to Eurostat for the first time. Due to limited time, the table was not examined in detail during the meeting. Nevertheless, Eurostat welcomed the progress and encourage further work on the table.

Findings and conclusions

Considering the complexity of the table on derivative transactions, Eurostat suggested further work to take place bilaterally at the technical level.

4.4.8. Disposals of non-financial assets by general government. Sale and leaseback operations

Introduction

The information on sales and leaseback operations undertaken by the central government is available from the budgetary reporting to the Ministry of Finance. Additional information from the public units reclassified to general government is obtained from the Annual Statistical Survey (RF-02 form). For operations undertaken at the level of local government, GUS obtains the necessary input from the Annual Statistical Survey (FR-03 form).

Discussion and methodological analysis

GUS informed that no sales and leaseback operations had been reported so far at the level of central government. For local government, all sale and leaseback operations identified are recorded as financial leases in national accounts following the ESA 2010 rules.

Findings and conclusions

Eurostat took note of these explanations and recalled that particular attention should be paid to the cases where the sales and leaseback agreements are signed with a public unit.

4.4.9. Others: Mobile phone licences, Decommissioning

Introduction

The Eurostat guidance note on "mobile phone licenses, explorations and other licenses" of 27 March 2017 has been partly implemented. In the April 2017 EDP notification, the data series for 2013-2016 were revised in relation to frequencies that were sold from 2010 onwards. The revenue from the sale of these frequency bands was spread over the license duration and recorded as rent (D.45), instead of an acquisition less disposal of a non-produced non-financial asset (NP). The revision of the time series, from 2000 onwards, is going to take place during the benchmark revision planned for 2020.

Discussion and methodological analysis

GUS asked Eurostat how to record rents for three contracts where the administrative sale occurred in 2000 in the upcoming revision. The licences, however, only became available in 2003.

In addition, GUS informed Eurostat about the on-going work regarding the distribution of frequencies for 5G. The assumption is to distribute four general exclusive frequency licences, each for 80 MHz in the 3480-3800 MHz band. The licences are supposed to be valid until the end of June 2035.

Findings and conclusions

Eurostat took note of the information provided.

Action Point 26: Eurostat and the Polish statistical authorities agreed that, in the context of the forthcoming benchmark revision, the sale proceeds of mobile licences would be revised for historical years, starting from the year 2000

*Deadline: end of September 2020.*³⁰

³⁰ Implemented in the context of October 2020 EDP Notification.

EDP dialogue visit to Poland, 11-12 February 2020

Draft Agenda

1. Statistical organisational issues

- 1.1. Review of institutional responsibilities in the framework of the EDP data reporting and government finance statistics compilation
- 1.2. Data sources and revision policy, EDP inventory
- 1.3. Compliance with Council Directive 2011/85

2. Follow-up of the EDP dialogue visit of 1-2 March 2018

3. Follow-up of the latest EDP reporting – analysis of EDP tables and the related questionnaires

- Reporting of '*expenditure that have not expired by the end of the year n*' in EDP Tables 2 and 3
- Main revenue and expenditure items of GG units/groups of units and financial transactions for 2018

4. Methodological issues and recording of specific government transactions

4.1. Delimitation of general government, application of market / non-market test in national accounts

- 4.1.1. Implementation of the new MGDD (2019 edition), state of play
- 4.1.2. Application of the market / non-market test, qualitative and quantitative criteria
- 4.1.3. Changes in the sector classification since the March 2018 EDP dialogue visit
 - Follow-up on the availability of information for small units with a view of regular collection of necessary information for EDP purposes
 - Follow-up on the sector classification of public foundations
 - Follow-up on the identification of head offices and holding companies
- 4.1.4. Government controlled entities classified outside the general government (public corporations)

4.2. Sector classification of specific units and statistical recording of their activities

- 4.2.1. The 'Act on the Development Institutions' and its impact on the sector classification of entities concerned
- 4.2.2. Review of operations of the Polish Development Fund (PFR) in the view of the possible rearrangement of transactions undertaken on behalf of government
- 4.2.3. Review of operations of the Bank Gospodarstwa Krajowego (BGK) in the view of the possible rearrangement of transactions undertaken on behalf of government
- 4.2.4. Review of developments in relation to the 'Mieszkanie Plus' program

4.2.5. Review of the sector classification of public transport companies

- Railways companies
- Airline companies

4.2.6. Review of relations/transactions between the government and coal mine companies

4.3. Implementation of accrual principle

4.3.1. Accrual taxes and social contributions

4.3.2. Accrued interest

4.3.3. EU flows

4.3.4. Military expenditure

4.3.5. Gross fixed capital formation

4.3.6. Court decisions with impact on government accounts

4.4. Recording of specific government transactions

4.4.1. Public Private Partnership, concessions and energy performance contracts

- The PPP project for the section of the bypass of the Tri-City Metropolis

4.4.2. Guarantees

4.4.3. Government claims; debt assumptions, debt cancellations and debt write-offs

4.4.4. Capital injections in public corporations, dividends, privatization

- Compilation of the super-dividend test

4.4.5. Pension reform

4.4.6. Emission trading permits

4.4.7. Financial derivatives

4.4.8. Disposals of non-financial assets by general government. Sale and leaseback operations

4.4.9. Others: Mobile phone licences, Decommissioning

5. Other issues

5.1.1. ESA 2010 Transmission Programme

5.1.2. Any other business

EDP dialogue visit to Poland, 11-12 February 2020

List of participants

| | |
|------------------------------|--|
| Luca Ascoli | Eurostat |
| Rasa Jurkoniene | Eurostat |
| Philippe de Rougemont | Eurostat |
| Thomas Forster | Eurostat |
| Małgorzata Szczesna-Rundberg | Eurostat |
| Bartłomiej Wiczewski | ECFIN |
| Hans Olsson | ECB |
| Dominik Rozkrut | Statistic Poland, National Accounts Department |
| Anita Perzyna | Statistic Poland, National Accounts Department |
| Alicja Truszyńska | Statistic Poland, National Accounts Department |
| Izabela Rudolf | Statistic Poland, National Accounts Department |
| Małgorzata Buba | Statistic Poland, National Accounts Department |
| Katarzyna Boraczewska | Statistic Poland, National Accounts Department |
| Jerzy Krysta | Statistic Poland, National Accounts Department |
| Mariusz Madejski | Statistic Poland, National Accounts Department |
| Michał Maleski | Statistic Poland, National Accounts Department |
| Agnieszka Tymoszek | Statistic Poland, National Accounts Department |
| Marta Górniak | Statistic Poland, National Accounts Department |
| Urszula Kapczyńska | Statistic Poland, National Accounts Department |
| Marta Kaźmierska | Statistic Poland, National Accounts Department |
| Daniel Michalik | Statistic Poland, National Accounts Department |
| Ewa Soroczyńska | Statistic Poland, National Accounts Department |
| Ewa Szczerbińska | Statistic Poland, National Accounts Department |
| Zofia Wnuk | Statistic Poland, National Accounts Department |
| Irminda Cerling | Statistic Poland, National Accounts Department |
| Monika Burdzicka | Statistic Poland, National Accounts Department |
| Natalia Baron | Statistical Office in Katowice |
| Dorota Doniec | Statistical Office in Katowice |
| Martyna Rożynek | Statistical Office in Wrocław |
| Bogumiła Szalla | Statistical Office in Wrocław |
| Marcin Kitala | NBP, Economic Analysis Department |
| Danuta Kołodziejczyk | NBP, Economic Analysis Department |
| Monika Lewicka | NBP, Statistics Department |
| Joanna Głowala | NBP, Statistics Department |
| Małgorzata Pawlak-Kalembe | NBP, Statistics Department |
| Bartosz Piotrowski | NBP, Statistics Department |
| Maciej Szczykutowicz | NBP, Statistics Department |
| Jacek Partyka | MoF, Economic Policy Support Department |
| Edward Basiński | MoF, Economic Policy Support Department |
| Marcin Kowalczyk | MoF, Economic Policy Support Department |
| Jakub Westfal | MoF, Financial Market Development Department |
| Beata Kasprzyk | MoF, Guarantee Department |
| Jacek Skrzyński | MoF, Guarantee Department |

| | |
|--------------------------------|--|
| Marek Pietraszewski | MoF, Guarantee Department |
| Tomasz Górecki | MoF, Guarantee Department |
| Małgorzata Dziągiewska | MoF, Guarantee Department |
| Agnieszka Rutkowska | MoF, Guarantee Department |
| Małgorzata Beśka | MoF, Local Government Finances Department |
| Agnieszka Pełszyk | MoF, Local Government Finances Department |
| Dariusz Wiącek | MoF, Local Government Finances Department |
| Iwona Fudała-Poradzińska | MoF, Macroeconomic Policy Department |
| Bożena Borecka | MoF, Macroeconomic Policy Department |
| Małgorzata Buła | MoF, Macroeconomic Policy Department |
| Monika Wygoda | MoF, Macroeconomic Policy Department |
| Andrzej Szpak | MoF, Macroeconomic Policy Department |
| Małgorzata Mrowiec | MoF, Paying Authority Department |
| Wioleta Pawlik-Ruszkiewicz | MoF, Paying Authority Department |
| Paweł Pawelczyk | MoF, Paying Authority Department |
| Barbara Adamowska | MoF, Public Debt Department |
| Damian Brzuszek | MoF, Public Debt Department |
| Małgorzata Kulesza | MoF, State Budget Department |
| Małgorzata Gala | MoF, State Budget Department |
| Magdalena Rybicka | MoF, State Budget Department |
| Lidia Cyna | MoF, |
| Joanna Szostak | MoF, |
| Katarzyna Dej | MoF, |
| Rafał Bydzyński | MoF, Tax Collection Department |
| Magdalena Prucnal | MoF, |
| Liliana Bogusz | Ministry of Development Funds and Regional Policy, Department for Public-Private Partnerships |
| Małgorzata Gołyńska-Minkiewicz | Ministry of Development Funds and Regional Policy |
| Jarosław Waszkiewicz | Ministry of Infrastructure |
| Rafał Przynadzki | Ministry of Infrastructure |
| Ewa Karczewicz | Polish Social Insurance Institution, Statistics and Actuarial Forecasts Department |
| Sylwester Figarski | Polish Social Insurance Institution, Finance Department |
| Przemysław Jędrasiak | National Centre for Emissions Management |
| Małgorzata Sobolewska | National Centre for Emissions Management |
| Katarzyna Bieńkowska | Ministry of Economic Development, Housing Department |
| Paulina Nowak | Ministry of Economic Development, Housing Department |
| Bartłomiej Pawlak | Polish Development Fund |
| Marcin Sobczyk | Polish Development Fund |
| Krzysztof Zajęc | Polish Development Fund |
| Wojciech Caruk | PFR Nieruchomości S.A. |
| Anna Błaszczuk | PFR Nieruchomości S.A. |
| Krzysztof Pniewski | PFR Nieruchomości S.A. |
| Karol Gabryel | PFR Nieruchomości S.A. |
| Jacek Kałużny | PFR Nieruchomości S.A. |
| Piotr Suchan | Ministry of National Defence, Budget Department |

| | |
|--------------------------|--|
| Dariusz Węsierski | Ministry of National Defence, Budget Department |
| Krzysztof Sak | Ministry of National Defence, Budget Department |
| Sławomir Szymeczko | Ministry of National Defence, Budget Department |
| Andrzej Kowalczyk | Inspektorat Uzbrojenia MON |
| Krzysztof Wierzbowski | General Directorate for National Roads and Motorways |
| Dorota Miziołek | General Directorate for National Roads and Motorways |
| Tomasz Smoleń | General Directorate for National Roads and Motorways |
| Baata Daszyńska-Muzyczka | Bank Gospodarstwa Krajowego (BGK) |
| Paweł Nierada | Bank Gospodarstwa Krajowego (BGK) |
| Włodzimierz Kocon | Bank Gospodarstwa Krajowego (BGK) |
| Radosław Kwiecień | Bank Gospodarstwa Krajowego (BGK) |
| Rafał Szadurki | Bank Gospodarstwa Krajowego (BGK) |
| Grażyna Utrata | Bank Gospodarstwa Krajowego (BGK) |
| Dariusz Stachera | Bank Gospodarstwa Krajowego (BGK) |
| Elżbieta Stelmach | Bank Gospodarstwa Krajowego (BGK) |
| Jacek Król | Bank Gospodarstwa Krajowego (BGK) |
| Robert Kasprzak | Bank Gospodarstwa Krajowego (BGK) |
| Krzysztof Stefański | Bank Gospodarstwa Krajowego (BGK) |
| Jacek Łaszczuk | Bank Gospodarstwa Krajowego (BGK) |
| Anna Miazek | Ministry of State Assets |
| Kamila Dąbrowska | Ministry of State Assets |
| Dominik Mazur | Ministry of State Assets |
| Marcin Izdebski | Ministry of State Assets |
| Maciej Białek | Ministry of State Assets |
| Jakub Kluziński | Polska Grupa Lotnicza S.A. |
| Stefan Świątkowski | Polska Grupa Lotnicza S.A. |
| Kamila Olkowicz | Polska Grupa Lotnicza S.A. |
| Jacek Pytel | Tauron Wydobycie S.A. |
| Piotr Błaszczuk | Office of Electronic Communications |
| | Translators |