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FINAL FINDINGS

EDP dialogue visit to Poland

6-7 July 2009

Executive Summary

A regular EDP dialogue visit to Poland took place on 6-7 July 2009 in order to review the implementation of ESA95 methodology and to assure that provisions of the ESA95 Eurostat Manual on Government Deficit and Debt and Eurostat decisions are duly implemented in the Polish EDP and Government Finance Statistics (GFS) data. The recording of specific government transactions in the Polish national accounts and EDP notification was also discussed during the visit.

First, in the context of the institutional arrangements and division of responsibilities for the compilation and reporting of data under the EDP and ESA95 Transmission Programme, significant changes in 2008 deficit data between the estimate (December 2008) and the first EDP reporting (April 2009) were discussed. Eurostat noted that an additional co-ordination between the institutions involved could possibly help avoiding similar situations in the future.

Next, EDP notification tables and EDP relating questionnaire (April 2009 reporting) were analysed in detail. It was concluded that the Polish statistical authorities will verify the current reporting in EDP tables 2C and 2D of financial transactions not considered in the working balance (currently shown as nil and not applicable), and will analyse the possibility of provision of data about other accounts payable relating to taxes and social contributions in the EDP relating questionnaire.

Concerning the issues of sectoral classification, recent changes in the composition of the general government sector (S.13) were discussed. It was concluded that a reclassification of local health care institutions outside S.13 will be reassessed by the Polish statistical authorities.

Particular attention was given on a new method proposed by the Polish statistical authorities for calculation of coefficients for non-collectible amounts for direct taxes. After the discussion, it was concluded that the possibility of a time-adjusted cash recording of these taxes will be assessed by GUS. With respect to other aspects of the accrual recording of transactions, the Polish statistical authorities will undertake further work in order to provide a split of other accounts receivable and payable relating to non-financial transactions, following the ESA95 categories.

Further, compliance with the rules established by the MGDD and subject to other Eurostat guidance was examined, e.g. EU flows, capital injections, military expenditure and derivatives. Further work on capital injections will cover transactions into a coalmine company and a shipyard. In view of the inconsistencies observed, the Polish statistical authorities will revise some aspects of the recording of derivatives (data on interest, currency and deposits, and in financial accounts) and military equipment expenditure (data on stocks and/or flows of other accounts receivable and payable).

Finally, the accounting treatment of Public-Private Partnerships (PPP) and concessions contracts was discussed, used currently in Poland only for the motorway projects. In view of a growing number of such arrangements, the Polish statistical authorities will assure their regular assessment in the context of national accounts and EDP recording, and report to Eurostat on the results of their analysis of the individual projects.

Final findings

Introduction

In accordance with the article 11(1) of the Council Regulation (EC) No 479/2009 as regards the quality of statistical data in the context of the Excessive Deficit Procedure, Eurostat carried out an EDP dialogue visit to Poland on 6-7 July 2009.

The delegation of Eurostat was headed by Mr. Luca Ascoli, Head of Unit C-3 Public Finance at Eurostat. 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 included representatives of the National Statistical Institute (Główny Urząd Statystyczny – GUS), the Ministry of Finance (Ministerstwo Finansów – MoF), the National Central Bank (Narodowy Bank Polski – NBP), as well as, for the specific items of the agenda, by representatives of various government departments.

In relation to the procedural arrangements, Eurostat recalled the procedure, in accordance with article 13 of Regulation No 479/2009, indicating that the *Main conclusions and action points* would be sent within days to the Polish statistical authorities, who may provide comments. Within weeks, the *Provisional findings* would be sent to the Polish statistical authorities in draft form for their review. After adjustments, *Final findings* will be sent to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

Eurostat appreciated that all conclusions and action points from the previous EDP dialogue visit held in 2007 have been in the meantime successfully implemented by the Polish statistical authorities.

1. Review of statistical capacity issues

1.1. Institutional responsibilities for the reporting of data under the ESA95, EDP and other government statistics

Introduction

In Poland, government finance statistics issues are being regularly discussed in the meetings of the General Government Statistics Working Group (GGSWG) that involves GUS, MoF and NBP. The annual reports of the activities are presented to the management of these three institutions.

Discussion

Eurostat enquired about the range of issues discussed in the GGSWG meetings and whether any periodic work plans are prepared in advance.

The Polish statistical authorities indicated that GGSWG meetings cover both methodological and compilation issues relating to elaboration of EDP and GFS data. An annual work programme for the working group is set up, but meetings often cover also some issues arising from the ad-hoc needs.

Further, the significant changes to the 2008 deficit data between the latest forecast from the MoF (December 2008 Convergence Programme) and the first EDP reporting by GUS (April 2009 notification) were discussed. In this context, on the basis of the ESA95 TP table 25 quarterly data, Eurostat enquired about the reasons for a significant increase of gross fixed capital formation (P.51) expenditure in the fourth quarter of 2008, accounting for more than half of the annual total amount.

GUS replied that as a rule, the biggest amounts of government expenditure on P.51 are usually to be recorded each year in the last quarter. Significant deliveries of F-16 aircrafts also took place at the end of the year, for which a correction of other accounts payable was introduced by GUS in the April 2009 EDP notification, in order to comply with national accounts rules concerning the military expenditure recording on the basis of the deliveries' value¹. Concerning the changes of deficit for local government sub-sector, the Polish authorities indicated some difficulties with the forecasting of EDP data for this sub-sector due to the very big number of units.

Findings and conclusions

Eurostat appreciated that issues concerning EDP and GFS are discussed among all the institutions involved within a formally organised working group, with written documentation resulting from these meetings.

Eurostat congratulated all the institutions participating in the compilation of the EDP and GFS data for the consistency between relevant datasets achieved in the April 2009 notification.

Whereas Eurostat acknowledged that Poland was one of many Member State for which significant changes to the 2008 deficit data occurred between the latest forecast and the first EDP notification in April 2009, it was noted that the size of the Polish revision might nevertheless indicate some scope for further improvements with respect to the tasks of the preparation of forecasts of government data on the ESA95 basis.

Action point 1: By end-August 2009, GUS will provide to Eurostat the annual report of the GGSWG activities for the year 2008.

1.2. Source data characteristics and revision policy

1.2.1. Changes in data sources in EDP tables 3A-E in the April 2009 notification

Introduction

For the EDP notification of April 2009, some new source data were used for compilation of EDP tables 3A-E, which improved consolidation of these tables and removed anomalous consolidating amounts for statistical discrepancies observed in the previous notifications.

Discussion

Eurostat enquired about the characteristics of the new data sources used by GUS. It was explained that after analysis, GUS identified additional budgetary entities' sources of information, in particular for inter-sectoral flows.

¹ Eurostat decision of 9 March 2006 available from the Eurostat website at: http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/methodology/decisions_for_GFS

Findings and conclusions

Eurostat welcomed the revisions of EDP tables 3A-E undertaken in the April 2009 EDP notification by GUS, noting improved consistency and consolidation, but indicated that a more comprehensive description of the new data sources by GUS would be welcomed.

Action point 2: GUS will send to Eurostat a report describing new data sources used for the compilation of financial accounts data in EDP tables 3 since the April 2009 EDP notification, allowing for better consolidation. This report will also include an assessment by GUS on the reliability of the new data sources in comparison to the ones previously used. The EDP Inventory will be also updated by GUS in this context. Deadline for completion: end-September 2009.

2. EDP reporting

2.1. Examination of the EDP tables: April 2009 notification

Introduction

Some issues relating to the data reported in the EDP April 2009 notification were analysed: other accounts receivable in EDP table 2D, other accounts receivable and payable relating to taxes and social contribution in the EDP relating questionnaire, as well as financial transactions considered in the working balance in EDP tables 2C and 2D.

Discussion

Concerning EDP table 2D, taking into account that the working balance is compiled on an accrual basis, Eurostat enquired about the nature of the negative amounts reported under the item "other accounts receivable".

GUS explained that these amounts relate to the cancellations of social contributions on the basis of the non-collection coefficient. Eurostat noted that these amounts seem thus to have the nature of receivables' cancellations (capital transfer) and would preferably need to be shown under the "other adjustments" line of EDP table 2A, together with an appropriate labelling.

As far as the reporting of other accounts receivable and payable relating to taxes and social contributions in table I of the EDP relating questionnaire is concerned, Eurostat noted that the part of this table concerning data on payables has so far been reported empty. After the discussion, it was agreed that GUS will inform Eurostat on whether the amounts currently reported as receivables are net of payables, and if a specific reporting of data for payables would be feasible.

Eurostat also enquired about the current reporting in EDP tables 2C and 2D of financial transactions considered in the working balance as, respectively, nil and not applicable.

GUS explained that e.g. zeros reported for the item "equities" for local government (table 2C) result from the analysis of capital injections for this sub-sector and revisions undertaken in April 2009 notification.

Eurostat took note of this explanation and thanked GUS for this revision, but enquired also about transactions in other instruments, particularly whether there were cases in Poland of loans incurred by the local government units that could be currently recorded as revenue in the cash-based working balance of EDP table 2C, and for which a corresponding adjustment would need to be introduced. It was stated by GUS that a more comprehensive analysis would need to be undertaken in order to verify the recording of financial transactions considered in the working balance, for both EDP tables 2C and 2D.

Findings and conclusions

Action point 3: Starting from the October 2009 EDP notification, GUS will report the cancellations of social security contributions resulting from the application of the non-collection coefficient (i.e. amounts deemed as effectively not collected) in a dedicated "other adjustments" line in EDP table 2D, instead of the current reporting of negative amounts in "other accounts receivable".

Action point 4: GUS will verify whether the amounts of other accounts receivable relating to taxes and social contributions currently reported in table I of the EDP relating questionnaire are on a net basis, as there are no data reported for other accounts payable. Also, starting from the October 2009 EDP notification, the possibility of splitting of other accounts payable will be investigated by GUS.

Action point 5: Concerning EDP tables 2C and 2D, GUS will verify the current reporting of financial transactions considered in the working balance as, respectively, nil and not applicable, and, if appropriate, revise these tables for the October 2009 EDP notification.

2.1.1. Revisions in data on interest

Introduction

In comparison to October 2008, the April 2009 EDP notification showed significant downward revisions of data on accrual interest for the years 2006 and 2007, respectively by approx -0.1% and -0.3% of GDP.

Discussion

Eurostat requested GUS to provide further explanations concerning these revisions.

The Polish statistical authorities informed that the main reasons for the revisions related to the improvements in compilation of accrual adjustment for interest for a particular type of government bonds issued on the domestic market.

GUS also confirmed that the source data available from the Debt Management Agency of the Treasury enable full consolidation of government debt.

Findings and conclusions

Eurostat took note of these explanations.

3. Methodological issues and recording of specific government transactions

3.1. Delimitation of general government sector in national accounts: application of market / non-market rule

3.1.1. Changes in sectorisation since the last regular EDP visit in July 2007

Introduction

In Poland, the sectorisation of units is discussed in the meetings of the working group GGSWG. In 2008, the following changes to the composition of S.13 were introduced by GUS: two entities were classified inside S.13, i.e. the Polish Film Institute (PISF) and the Polish Institute of International Affairs (PISM); one entity has been removed from S.13 due to liquidation, i.e. the State Veteran Fund (PFK); some health care institutions were reclassified outside S.13.

Discussion

Eurostat appreciated the information received from GUS about the changes in the composition of S.13 since the previous EDP dialogue visit in 2007 and enquired more in detail about the GUS sources of information on new units, as well as whether any regular follow-up of the sectorisation of the existing units is done by GUS.

It was explained by the Polish statistical authorities that the information on new units created by government comes mainly from the MoF. GUS also informed Eurostat that the national accounts sectoral classification of certain public units is being regularly verified, in particular: those that are recipients of significant amounts of government subventions, the types of units discussed in the meetings of the Financial Accounts Working Group (FAWG), as well as some public corporations, e.g. railways. It was stated that national accounts rules on sectorisation which relate to the analysis of market sales to costs are followed by GUS.

Further, a reclassification of some health care institutions in 2008 outside S.13 was discussed. GUS explained that following the restructuring of some, mainly local, health care institutions and a change of their legal status into companies, these have not been any more subject to budgetary reporting requirements of the Ministry of Health. Such health care institutions, mostly hospitals, prepare now reports based on commercial accounting rules. According to the information available at GUS, some of them have been in the meantime privatised and a degree of local government participation in the capital of these health care institutions varies greatly. Taking into account a change of their legal status and/or of ownership, as well as new type of reporting, GUS provisionally reclassified such health care institutions outside S.13. It was stressed by the Polish statistical authorities, that a more profound analysis would need to be undertaken in order to confirm the reclassification.

Turning to the subject of classification of the publicly owned railway companies (of the PKP group), discussed also in the previous EDP dialogue visit in 2007, Eurostat asked about the current approach of GUS in this respect. GUS replied that following the conclusions of the last dialogue visit, the sectorisation of each of the eleven railway companies has been analysed individually, and not any more the one of the PKP holding. The application of the 50% rule and the results of the analysis of GUS confirmed the classification of all eleven companies in the sector of non-financial corporations (S.11). Taking into account that since a few years a regional transport company PKP PR has been receiving significant government

payments, GUS is monitoring national accounts sectorisation of this company each year. In this context, GUS confirmed that, following MGDD provisions, those government payments that are not linked to products but to production are identifiable and excluded from the calculation of sale volumes.

Findings and conclusions

Eurostat took note of the approach of GUS for sectoral classification of units in national accounts.

Concerning the national accounts classification of health care institutions subject to restructuring, Eurostat recalled that all decisions need to be undertaken by statisticians following the national accounts rules, and not on the basis of entities' legal form, ownership or the degree of data sources' availability. In addition, for the particular case of hospitals, the ESA95 Manual on government deficit and debt (MGDD) specifies that for the purpose of the application of the 50% rule, only those revenues that result from a system of pricing applied to both public and private hospitals can be treated as sales. Summing up, Eurostat felt that a comprehensive national accounts analysis of the hospitals subject to restructuring would need to be undertaken by GUS in order to determine precisely their sector classification.

Action point 6: GUS will report to Eurostat about the reasons for the reclassification since 2008 of, mainly, local health care institutions outside S.13. This decision seems at present to depend on the change of available data sources from the Ministry of Health. In this context, the EDP Inventory will be also updated by GUS to reflect the recent changes of the composition of the general government sector in Poland. Deadline for completion: end-December 2009.

Concerning the sector classification of the railway companies, Eurostat took note of the explanations by the Polish statistical authorities, confirmed the correctness of the approach and requested the provision by GUS of the national accounts analysis for all eleven corporations.

Action point 7: GUS will provide an analysis on whether all eleven railway companies fulfil the ESA95 rule that at least 50% of costs are covered by sales and consequently are to be classified outside S.13. In the context of this analysis, GUS will check in particular which revenue categories of these companies, if any, do not have the nature of sales according to ESA95 and should be excluded when assessing market / non-market rule. Deadline for completion: end-December 2009.

3.2. Implementation of accrual principle

3.2.1. Accrual tax revenue: proposal for changes in the calculation of coefficients for the non-collectible amounts of direct taxes (follow-up)

Introduction

Since December 2008, correspondence has been exchanged between Eurostat and GUS about a proposal of the Polish statistical authorities for a change in the calculation of coefficients for

the non-collectible amounts of direct taxes², i.e.: personal income tax (PIT) and corporate income tax (CIT). The need for new coefficients results from the accumulating amounts of other accounts receivable relating to these taxes, observed since a few years.

Discussion

Eurostat noted the importance of the issue for the calculation of government revenue, thus also for the net lending / net borrowing. It was recalled, that the calculation of the coefficients for the non-collectible amounts of taxes in the assessment and declaration method foreseen in Regulation (EC) 2516/2000 should be based on the long-term historical time series. It was noted that the coefficients proposed by GUS are calculated on the basis of the data of a relatively limited number of years, i.e. 2001-2007.

GUS replied that for the proposed method of the new coefficients' calculation, some new data sources would be used that are available only starting from the year 2001.

Concerning the components of the calculations of coefficients presented in the GUS correspondence prior to the dialogue visit, Eurostat stated that the amounts of yearly cash execution need to include only flows relative to a given calendar year. The cashed amounts relating to the economic activity of the previous years, e.g. late payments, should be moved to the year to which they relate.

It was also confirmed that the administrative arrangements in place in Poland require monthly payments of PIT and CIT advances by the taxpayers. The amounts of the final tax settlements due for a given year, including also amounts of reliefs and reimbursements, are calculated and paid by the taxpayers until April of the following year. These amounts are currently recorded by GUS on a cash basis.

Eurostat also enquired about the availability of source data and GUS confirmed that for the purposes of the time-adjusted cash method, sources would be available starting from 2001 monthly, but for the earlier years the availability would need to be verified.

Further, data on other accounts receivable and payable for taxes and social contributions reported in table I of the EDP relating questionnaire were discussed. In particular, Eurostat asked for explanations about the nature and reasons for a high and relatively stable level of stocks of receivables relating to taxes, and whether these receivables are expected to be received in the future.

GUS replied that the amounts reported in the EDP questionnaire are those of ESA95 table 9, but in order to answer the Eurostat questions the exact nature of these receivables would need to be analysed more in detail in the coming months after the EDP dialogue visit.

Findings and conclusions

Concerning the recording of direct taxes, taking into account information and explanations provided by the Polish statistical authorities, Eurostat considered that the system of monthly

² Following the procedure of *Regulation (EC) 2516/2000 of the European Parliament and of the Council modifying the common principles of the European system of national and regional accounts in the Community (ESA) 95 as concerns taxes and social contributions and amending Council Regulation (EC) No 2223/96*; OJ L 290/1, 7.11.2000.

PIT and CIT payments in Poland would indicate that a one-month time-adjusted cash method could be applied for the recording of revenue from these taxes in national accounts. In case the time-adjusted cash method is implemented, Eurostat indicated a need for the revisions of the whole time series, as well as for the monitoring by GUS if any future amendments of the administrative arrangements for PIT and CIT payments (advances, repayments, etc.) would require any changes to the period of time adjustment.

Action point 8: Eurostat invites GUS to reflect, enough in advance before the October 2009 EDP notification, on the appropriateness of the present method applied for the recording of the revenue from direct taxes PIT and CIT, based on assessments and declarations with coefficients for non-collectible amounts. Taking into account the administrative arrangements in place for payments of these taxes, GUS will analyse whether a time-adjusted method with a one-month delay for PIT and CIT would not be a more appropriate method. Deadline for completion: October 2009 EDP notification.

Action point 9: With respect to the significant amounts reported in the table I of the EDP relating questionnaire for stocks of other accounts receivable relating to taxes, GUS will examine and analyse the nature of these stocks, and in particular what proportion of them would be possibly received in the future and if some of them should not have been possibly cancelled already. Deadline for completion: end-December 2009.

3.2.2. Other accounts receivable and payable: link to ESA95 transaction categories

Introduction

The labelling currently used by GUS in the additional explanatory tables sent together with the EDP clarification requests is not fully comprehensible for some of the other accounts receivable and payable categories relating to non-financial transactions reported in EDP table 3A.

Discussion

It was explained by GUS that since April 2009 some progress has been made to provide labelling for other accounts receivable and payable following ESA95 transaction categories, as requested by Eurostat. In particular, budgetary classification paragraphs classified to the corresponding ESA95 transactions were analyzed, enabling some improvements in the reporting of breakdowns of other accounts receivable and payable to be implemented already for the October 2009 EDP notification.

Findings and conclusions

Eurostat took note of the explanations and encouraged GUS to provide improved information on the other accounts receivable and payable in EDP table 3A for the forthcoming notification, noting that for some individual items of receivables and payable the amounts are rather significant (approx. 0.4% of GDP on average).

Action point 10: From the October 2009 EDP notification onwards, GUS will improve the reporting in the tables 4.1.1 and 4.1.2 of the annex to the request for clarification for the other accounts receivable and payable relating to non-financial transactions, by splitting the amounts according to the ESA95 transaction categories.

3.2.3. EU flows

(i) Recording of the amounts received within the Schengen Facility

Introduction

According to the information received during the April 2009 EDP notification, no other accounts receivable and/or payable have been introduced yet in EDP tables for the amounts of the EU flows received by Poland within the Schengen Facility.

Discussion

Eurostat asked for a confirmation of the recording of these amounts in EDP tables. It was recalled that according to the Eurostat decision on EU flows³, in the case of prepayments by the Commission to Member States at the beginning of a multi-year programme, which is also the case for the Schengen Facility, these initial payments are to be treated as financial advances.

GUS informed that the amounts received by Poland from the EU budget as Schengen Facility were recorded as government revenue when they were received over 2004-2006, and as expenditure – when they were spent until 2008. According to the Polish statistical authorities, budgetary data sources available do not enable to identify in a precise manner the expenditure undertaken in past years by government using the Schengen Facility funds.

Findings and conclusions

Eurostat concluded that the current recording by GUS does not ensure neutralising the impact on the government deficit due to the time of recording of the Schengen Facility funds. However, taking into account unavailability of more detailed data sources and negligible impact on government deficit in individual years, it was agreed that there is no need for the revision of the recording by GUS. Otherwise, there would be a concrete risk of double counting of government expenditure relating to the Schengen Facility funds received by Poland.

(ii) Non availability of other accounts receivable / payable stocks data (AF.7)

Introduction

In the EDP relating questionnaire, GUS has been reporting so far data on stocks of other accounts receivable / payable relating to the EU flows as not available.

Discussion

Eurostat enquired about the difficulties that GUS has been encountering in the compilation of these stocks data.

The Polish statistical authorities explained that source data on stocks of other accounts receivable and payable relating to the EU flows for the years 2000-2003 are not directly available mainly due to different and incomprehensive budgetary nomenclature used before

³ Eurostat decision of 15 February 2005 available from the Eurostat website at:

http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/methodology/decisions_for_GFS

the year 2004. GUS also informed that some backward calculations of stocks were undertaken on the basis of the available data on flows, but results were judged to be unreliable.

Findings and conclusions

Eurostat indicated that the reporting of stocks of other accounts receivable and payable relating to EU flows was important for cross-checking purposes with data on flows, but also as an indicator in itself. It was recommended to GUS to reconstitute stocks either (i) from the historical source data which were available (even if incomplete) or (ii) through estimations. Eventually, calculation of stocks from the data on flows could be also acceptable.

Action point 11: Concerning the unavailability of stocks of other accounts receivable and payable in table II of the EDP relating questionnaire (due to no source data for the initial years 2000-2003), it was agreed that GUS will construct the stocks series according to the best possible method available. Deadline for implementation: end-December 2009.

(iii) EUR/PLN exchange rate holding gains / losses on EU funds

Introduction

On the request of the Polish statistical authorities, recording in EDP / national accounts of the amounts of holding gains / losses from the EU funds resulting from the exchange rate movements were discussed during the meeting.

Discussion

The Polish authorities presented the case, explaining that due to the time difference between (i) the moment of a payment of the EU funds' money to the final beneficiary and (ii) the moment when the EU funds received by Poland in EUR are exchanged by government into PLN, these two amounts, when expressed in PLN, do not equal. This is valid both for the funds paid to the farmers within the Common Agricultural Policy, pre-financed by the Polish government and afterwards reimbursed by the EU funds, as well as for the funds received by Poland in the context of the EU regional policy that are paid in advance tranches by the European Commission.

The arrangement for managing the conversion of EU funds in place in Poland was further described, according to which, after the reception of the EU money in EUR, they are held on a dedicated NBP account until the moment when government decides to exchange them into PLN.

Eurostat enquired if this dedicated NBP account bears interest. The Polish authorities confirmed this and explained that according to the relevant EU legislation, such interest can be used solely for the same purposes as the EU funds. Eurostat stated that the amounts from the interest earned by government on the EU funds would need to be neutralised in EDP / national accounts, similarly to other EU funds.

Eurostat was also informed by GUS that a dedicated budgetary paragraph exists to identify the amounts of holding gains / losses on EU flows due to exchange rate movements, and that currently these amounts are recorded in EDP / national accounts as intermediate consumption. It was explained by GUS that for the past years the amounts in question were relatively small, but due to the evolution of the EUR/PLN exchange rate in 2008 and 2009 they are expected to be significant for these years.

Findings and conclusions

Eurostat took note and thanked the Polish authorities for raising this methodological issue, relevant probably also for some other Member States. Concerning the recording, from the description provided by GUS during the meeting, Eurostat felt that as the amounts of holding gains / losses relate to the EU flows, following the spirit of the relevant Eurostat decision, they should have no impact on the government net lending / net borrowing and should rather enter the revaluation accounts.

Action point 12: With respect to the issue of the holding gains/losses on EU flows due to PLN/EUR exchange rate movements, as a matter of priority in the coming weeks, GUS will provide to Eurostat a request for an advice, together with a methodological note describing the issue.

3.3. Recording of specific government transactions

3.3.1. Debt assumptions, debt cancellations and debt write-offs

Introduction

During the April 2009 notification, GUS had informed Eurostat that in 2008 a capital transfer adjustment of the working balance in EDP table 2A due to debt cancellations included also marginal amounts of the cancellations by the Fund for Guaranteed Employee Benefits.

Discussion

Eurostat enquired about the character of the claims cancelled by this Fund, indicating that taking into account its name, it might have cancelled some un-collectable receivables and not loans.

GUS informed that the nature of the claims cancelled by the Fund for Guaranteed Employee Benefits would need to be investigated after the meeting.

Findings and conclusions

Action point 13: GUS will enquire and report by end-September 2009 its findings to Eurostat on the nature of claims of the Fund for Guaranteed Employee Benefits that were cancelled in 2008 and are currently shown in the table IV of the EDP relating questionnaire as cancellation by government of loan claims.

3.3.2. Capital injections in public corporations, dividends and super-dividends

3.3.2.1. Capital injections

Introduction

The recording of various government capital injections into public corporations was analysed, with a focus on the transactions into railway companies, a coalmine company JSW (Jastrzębska Spółka Węglowa) and shipyard Stocznia Gdynia.

Discussion

First, recording of the transactions in the context of the railway companies (PKP group companies) restructuring of 2008-2009 was confirmed.

GUS described the main lines of the PKP group restructuring operations:

- (i) A capital injection recorded in EDP as a capital transfer from government into the infrastructure company PLK.
- (ii) A government loan recorded in EDP as a capital transfer into the holding company PKP. The loans were in 2008 immediately repaid by the PKP holding by way of transferring to the Treasury all the shares of the regional transport company PKP PR that were owned by the holding PKP. Shares of the PKP PR that were transferred to the Treasury were subsequently granted for free to the local governments.
- (iii) A government capital grant into the regional transport company PKP PR.

Concerning the recording of these transactions in EDP, GUS explained that the government capital grant to the regional transport company PKP PR was reflected in the working balance of EDP table 2A. The recording as government expenditure of the government loan into the PKP holding company was justified by GUS by the fact that the economic value of the shares transferred by the PKP holding to government was nil.

The Polish statistical authorities expressed some uncertainties concerning the correct valuation and treatment in EDP / national accounts of the subsequent transfer of the PKP PR shares from the Treasury to the local governments and stated that this transfer has not been yet reflected in national accounts and EDP.

Findings and conclusions

Eurostat took note of the explanations by GUS concerning the national accounts treatment of government transactions in the context of the railway companies restructuring in 2008 and 2009, and in particular confirmed the correctness of the recording in the working balance of EDP table 2A of a capital grant to the regional transport company PKP PR and the recording as a capital transfer expenditure of a loan granted into PKP holding company due to the lack of economic value of the shares of PKP PR received by government.

Discussion

Second, a detailed list of the government capital injections undertaken in 2008 that had been provided by GUS before the dialogue visit was considered.

Eurostat enquired about the classification by GUS of the transactions into the coalmine company JSW as "other event".

GUS replied that the operation involved a merger of two mines with an increase of the share capital by government, but, in order to confirm the EDP recording, the details would need to be investigated after the dialogue visit.

Further, government transactions relating to the shipyard company Stocznia Gdynia were also discussed. The capital injections are currently recorded by GUS in the financial accounts and

without an impact on the government deficit. Eurostat asked GUS about the justification of the current treatment in EDP / national accounts.

The Polish authorities explained that in 2008, in the context of a privatisation being prepared, the shipyard received from government a capital injection in the form of cash and quoted shares of few corporations. This capital injection was granted under the condition of a future successful privatisation. Following the injection, the European Commission (DG COMP) judged it incompatible with the common market rules and ordered the shipyard to repay the full amount of the state aid (capital injection) to government.

Eurostat thanked for the information provided and enquired whether the privatisation of the shipyard had already taken place. It was explained by the Polish delegation that the shipyard would not be privatised, but its assets were planned to be sold and the capital injection to be repaid in full in 2009.

Eurostat recalled the ESA95 rules concerning capital injections in the context of privatisation to be undertaken in the short-term to be recorded as financial transactions, but underlined also the necessity of a symmetrical treatment of the repayment to government of the funds received by the corporation. In general, Eurostat felt that more comprehensive information, also on the issue of the sale of the shipyard assets, would need to be provided by GUS in order to confirm the statistical recording of this complex case.

Findings and conclusions

Action point 14: It was concluded that GUS will investigate and report to Eurostat whether an equity injection was undertaken in 2008 by government into a coalmine company JSW (Jastrzębska Spółka Węglowa) in the context of a merger operation. GUS will also propose to Eurostat an appropriate accounting treatment. Deadline for completion: end-September 2009.

Action point 15: GUS will examine in detail the transactions relating to a complex operation of an unsuccessful privatisation and a subsequent liquidation of a shipyard company Stocznia Gdynia, in the context of the public aid judged by the European Commission (DG COMP) as non-conforming with the single market rules. The analysis should cover in particular: the capital injection in cash and quoted shares undertaken by government in 2008 and the repayment of state aid in 2009. It was also agreed that GUS will verify that the shipyard liquidation proceeds are treated in EDP as financial transaction. Deadline for completion: end-December 2009.

3.3.2.2. Dividends

Introduction

At first, Eurostat noted revisions to the data on dividends planned to be implemented by GUS in the October 2009 EDP notification, following the clarification dialogue during the April 2009 EDP notification, when some inconsistencies to distributions data were noted by Eurostat.

As the next subject under this agenda point, revisions implemented by GUS in the April 2009 EDP notification to the data of the distributions from the National Central Bank (NBP) were further discussed and clarified.

Discussion

Eurostat asked about the reasons for the revisions to the NBP distributions data, and also why no withdrawals of equity (super-dividends) were recorded by GUS in the April 2009 EDP notification.

It was explained by GUS that revisions were implemented after the analysis of the recent relevant methodological documents presented and discussed in the Financial Accounts Working Group. The GUS source data for the recording come from the NBP and include information on the amount of distribution paid to government and the level of the profit.

Eurostat drew the attention of the Polish statistical authorities that for the purpose of the classification of the central banks distribution as non-financial and financial transaction, information on the sources of the profit need to be taken into account. In particular, part of the profit that results from exceptional transactions needs to be excluded from the total profit.

GUS replied that for the time being, such a detailed breakdown of the accounting data from the NBP was not available.

It was advised by Eurostat that GUS and NBP enforce their co-operation concerning a provision by GUS to Eurostat of the data on the NBP distributions of dividends and their national accounts treatment as dividends and / or super-dividends.

Findings and conclusions

As far as the recording of the distribution of dividends to government from public corporations is concerned, Eurostat thanked the Polish statistical authorities for their analysis of data sources undertaken before this dialogue visit and took note of the revisions intended to be reported in table Va of the EDP relating questionnaire in the October 2009 EDP notification.

Action point 16: Concerning the distribution of dividends from the NBP to government, GUS will liaise with the NBP with the aim of acquiring additional data sources in the context of their appropriate recording in EDP, in particular on performing a regular super-dividend testing. Deadline for completion: end-September 2009.

3.3.2.3. Super-dividends

Introduction

Some aspects of the treatment in EDP of super-dividends (distributions exceeding the profit) from public corporations were discussed under this agenda point.

Discussion

Eurostat requested from the Polish statistical authorities a description of the approach in place for the regular analysis of super-dividends.

GUS explained that the amounts of dividends distributed by public corporations to government are checked against the level of their profit and that so far no cases of super-

dividends, thus the recording in national accounts / EDP of a distribution as a withdrawal of equity, have been identified.

Eurostat was also informed by GUS that for 2009 some dividend payments to government with special features are planned. As an example, GUS mentioned a possible case of a distribution of profits accumulated in previous years and it was indicated by GUS that such amounts are intended to be treated in EDP as a financial transaction (equity withdrawal). Eurostat stated that a proposed treatment of described case would be correct.

Findings and conclusions

Eurostat took note of the explanation by the Polish statistical authorities concerning the regular analysis of super-dividends that are based on the information on dividends paid by the public corporations.

3.3.3. Private Public Partnerships (PPPs) and concessions

Introduction

At first, under this agenda item, on the basis of the information provided beforehand by the Polish statistical authorities, a list of current and future PPP projects and their national accounts recording in Poland was reviewed. Further, general rules for the recording in EDP / national accounts of PPP contracts were considered.

Discussion

Eurostat thanked the Polish authorities for the transparency shown in the sharing of comprehensive information on all concession and PPP projects provided before the dialogue visit. It was noted, that such types of arrangements were implemented or are currently being planned by government in the area of motorway construction and operation, notably for different stretches of the motorways A1, A2 and A4.

GUS informed Eurostat that for the time being all the concession and PPP contracts implemented are recorded outside the general government sector, i.e. off-balance sheet.

On the request of GUS, Eurostat recalled the rules for the recording in government accounts of on-balance sheet PPPs, following the ESA95 Manual on Government Deficit and Debt (MGDD): gross fixed capital formation expenditure of government would need to be recorded during the construction phase, preferably following a pattern of the phased payments received by the constructor/operator (private partner) for the part of the asset already constructed; with respect to government debt recording, this would follow the same time of recording as capital formation expenditure. Concerning the availability payments from government to the operator during the operation phase, they should be split into interest expenditure and redemption of the loan principal (financial transaction).

It was noted by Eurostat that in the context of the EDP reporting to Eurostat, in order to classify such complex projects in national accounts, GUS needs to be in possession of all the necessary and relevant information. It was also recalled, that the EU national statistical

authorities can request a methodological advice of Eurostat in the context of the ex-ante and ex-post consultations on complex government transactions⁴.

Findings and conclusions

Eurostat took note of the current recording by GUS of all concessions and PPPs outside general government.

Action point 17: After the reception by GUS of full documentation on the projects, GUS will provide to Eurostat its national accounts analyses, when completed, of the motorway PPP projects being prepared by government, in particular the stretches A1 Stryków-Pyrzowice and A2 Świecko-Nowy Tomyśl. Envisaged deadline: end-December 2009.

3.3.3.1. A1 motorway project (follow-up)

Introduction

Following the previous exchange of correspondence between GUS and Eurostat and a technical meeting on the PPP project for the construction of a second stretch of the A1 motorway Grudziądz-Toruń, the issue was further considered during the EDP dialogue visit.

Discussion

Eurostat confirmed that after having received additional information on the project a few weeks before the dialogue visit, the documentation was considered complete in order for Eurostat to provide its ex-ante methodological advice to GUS.

It was also underlined by Eurostat that its advice would be also applicable to the currently operated first stretch of the A1 motorway Gdańsk-Grudziądz, taking into account that the same PPP arrangement was implemented as for the second stretch, i.e. subject to the ex-ante consultation.

Findings and conclusions

Following the additional documentation provided by the Polish authorities during the technical meeting, Eurostat will provide very soon to GUS its methodological advice on the PPP case A1 motorway Grudziądz-Toruń stretch. The advice will be also applicable to the stretch Gdańsk-Grudziądz of A1 already constructed and operated, with possible revisions to the past data, if applicable.

3.3.4. Derivatives (swaps)

Introduction

Following an exchange of information during the previous EDP notifications, some aspects of the recording of off-market swaps contracted by the Polish government were further discussed.

⁴ For the administrative rules on the ex-ante advice by Eurostat on methodological cases see: http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/EUROSTAT_ADVISE_19_JULY_2006.pdf

Discussion

Introducing the subject, GUS recalled that over 2004 to 2007, the Polish Treasury entered into off-market swaps of, mostly, short-term maturity of 1 year. These contracts were expressed in the national currency and were signed with the private banks, with an initial payment, a so called lump sum, made by the Treasury to the bank. In addition, GUS informed Eurostat that so far there were no cases of early settlements of swap agreements (swaps cancellation) and of swaps with lump sums being received by government.

According to the Eurostat guidance on the recording of derivatives⁵, the lump sums exchanged at inception on off-market swaps are currently recorded in the Polish EDP notification as loans (AF.4), i.e. as a loan asset of government against the financial corporations' sector, thus without an impact on government debt.

Eurostat took note of these explanations and enquired about some details of the current recording of off-market swaps in EDP. In particular, Eurostat asked about the recording of flows of interest payments relating to swaps. In this context it was noted that the difference between the data on interest EDP D.41 and D.41 reported in EDP table 1 do not correspond to the impact from swaps on the net lending / net borrowing in EDP table 2A, that was quantified by GUS in the April 2009 EDP notification. In addition, Eurostat sought confirmation that the item currency and deposits in EDP table 3 included cash payments on the stream of interest from swaps.

GUS replied that they were aware that the current recording of interest streams relating to the off-market swaps might not be completely accurate and that following the Eurostat observations, the analysis of the recording would be undertaken for the forthcoming October 2009 EDP notification.

It was also noted by Eurostat that no data on derivatives have been reported by GUS in the financial accounts (annual and quarterly) on the asset side (item financial derivatives, F.34). GUS confirmed that no data for off-market swaps have been yet incorporated in the financial accounts reporting in the item F.34.

Findings and conclusions

Action point 18: From the October 2009 EDP notification onwards, GUS will revise the recording of off-market swaps, as some inconsistencies in EDP tables were identified in currency and deposits, and in data on interest. GUS will also record derivatives in annual and quarterly financial accounts (ESA95 table 6 and table 27): the net amounts from the stream of interest payments on the off-market swaps should be shown preferably under item financial derivatives (F.34), as well as be reported under AF.34 in the balance sheets.

3.3.5. Military equipment expenditures

Introduction

Military expenditure are recorded in Poland on a delivery basis, thus Eurostat relevant

⁵ Eurostat *Guidance on accounting rules for EDP: Financial derivatives* of 13 March 2008 available from the Eurostat website at:
http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/methodology/guidance_accounting_rules

decision is followed⁶. However, due to some inconsistencies between stocks and flows of other accounts receivable and payable relating to military equipment expenditure, there was a need for some further clarifications during the meeting.

Discussion

Eurostat explained that the April 2009 EDP relating questionnaire table on the military equipment expenditure contained inconsistent figures for stocks and flows of other accounts receivables and payables. At the same time it was noted that, on the basis of the deliveries and cash data, the working balance in EDP table 2A was correctly adjusted by the value of deliveries in order to reflect military equipment expenditure in the net lending / net borrowing of government, following the Eurostat decision.

GUS explained that they receive military equipment expenditure data necessary for the reporting to Eurostat from the Ministry of Defence and that they would investigate the inconsistencies before the October 2009 EDP notification.

Findings and conclusions

Action point 19: As a matter of priority, in view of the numerous inconsistencies noted in the table VI of the EDP relating questionnaire in flows and stocks of other accounts receivable and payable, and as a consequence also in tables 4.1.1 and 4.1.2 of the Annex to the request for clarification, GUS will liaise with the Ministry of Defence with the aim to provide the revised and corrected data, including, if this is the case, in EDP tables 2A, 3A and 3B, for the October 2009 EDP notification.

3.3.6. Others: planned operations in the context of the current economic crisis and their accounting consequences

Introduction

Possible implications for the EDP data of the planned government measures in the context of the economic crisis were considered.

Discussion

Eurostat thanked for the documentation on the foreseen government actions and requested more information about certain measures planned to be implemented through the Bank of Domestic Economy (Bank Gospodarstwa Krajowego – BGK), in particular from what sources newly available funds would originate. It was explained by the Polish authorities that the financial resources of BGK earmarked for the special measures in the context of the crisis are not new resources, but had already existed on a special account of BGK.

Eurostat took note of the explanations and indicated that the scheme, as described, did not seem to present any accounting issue for EDP.

In addition, Eurostat enquired about the planned government transactions in 2009 with a public bank PKO Bank Polski: a capital injection and a dividend payment. GUS replied that

⁶ Eurostat decision of 9 March 2006 available from the Eurostat website at: http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/methodology/decisions_for_GFS

the details of the individual transactions have not yet been established and no amounts could be indicated at this preliminary stage.

Findings and conclusions

Eurostat took note of the explanations by the Polish authorities concerning planned government operations with BGK and PKO Bank Polski. Once details of the operations with PKO Bank Polski (including notably planned capital injection and dividend payment) will be finalised by government, GUS will decide on the appropriate recording in EDP and inform Eurostat about the approach taken.

In this context, Eurostat informed the Polish statistical authorities, that following the work of a dedicated task force on the accounting consequences of the financial crisis and the CMFB consultation, a Eurostat decision on the subject will be issued well in advance before the October 2009 EDP notification⁷.

4. Other issues

4.1. Revised questionnaire relating to EDP tables: compilation issues

Introduction

Some aspects of the provision by GUS of the data in the revised EDP relating questionnaire, once implemented in future, were discussed during the meeting.

Discussion

The Polish authorities informed Eurostat about problems in the availability of detailed data sources for certain tables of the proposed new EDP relating draft questionnaire, in particular with respect to the information requested on government guarantees, debt cancellations and PPPs.

Findings and conclusions

Eurostat took note of this information and advised the Polish statistical authorities to complete, as much as possible, the tables and in case of problems to provide any relevant comments, e.g. on limited coverage of the data available, in the boxes foreseen for this purpose under each table.

⁷ The decision was issued on 15 July 2009 and is available from the Eurostat website at: http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/methodology/decisions_for_GFS

Annex 1

List of participants of the EDP dialogue visit to Poland of 6-7 July 2009

Name	Institution	Department
Luca Ascoli – Head of Unit	European Commission (DG Eurostat)	National and European Accounts, Public Finance Unit
Cecilia Pop	European Commission (DG Eurostat)	
Marcin Woronowicz	European Commission (DG Eurostat)	
Aleksander Rutkowski	European Commission (DG ECFIN)	
Henri Maurer	European Central Bank	
Halina Dmochowska – Deputy-President	GUS	
Maria Jeznach – Division's Director	GUS	National Accounts Division
Olga Leszczyńska-Luberek – Deputy-Director	GUS	
Andrzej Kościan	GUS	
Małgorzata Buba	GUS	
Urszula Kapczyńska	GUS	
Jerzy Krysta	GUS	
Małgorzata Borejko	GUS	
Anna Śliwa	GUS	
Mariusz Madejski	GUS	
Anna Wolska	GUS	
Marta Dolny	GUS	
Dorota Bach	MoF	Financial Policy, Analysis and Statistics Department
Andrzej Szpak	MoF	
Bożena Borecka	MoF	
Damian Brzuszek	MoF	Public Debt Department
Agnieszka Rutkowska	MoF	Guarantee Department
Agnieszka Szczepaniak	MoF	
Małgorzata Gać	MoF	
Elżbieta Noiszewska	MoF	Tax Administration Department
Oktawiusz Szukart	MoF	International Department
Michał Ptaszyński	MoF	Paying Authority Department
Piotr Biały	MoF	Regional Policy and Agriculture Department
Iwona Molenda-Detyna	MoF	Income Tax Department
Eugenia Pluta	MoF	
Jakub Kapturzak	MoF	State Budget Department
Grażyna Koziewska-Plesz	MoF	National Economy Finance Department
Janusz Jabłonowski	NBP	Department of Statistics
Bartosz Piotrowski	NBP	
Marcin Kitala	NBP	Economic Institute
Marcin Gancarz	The Chancellery of the Prime Minister	Strategic Analysis Department
col. Mirosław Weltrowski	Ministry of National Defence	Budget Department
Paweł Szozda	Ministry of National Defence	
Tomasz Kusio	Ministry of Economy	Supervised and Subordinated Unit Department
Katarzyna Hincz		
Maria Szutnicka-Pieniążek		
Jarosław Waszkiewicz - Director	Ministry of Infrastructure	Department of Roads and Motorways
Katarzyna Ciepielewska		

Paweł Cieślak Piotr Siwek	Ministry of Treasury
Magdalena Jaworska – Deputy - Director Sławomir Siewko Jan Styliński Mirella Lechna	General Directorate for National Roads and Motorways