



EUROPEAN COMMISSION
EUROSTAT

 Ref. Ares(2014)495159 - 25/02/2014

Directorate D: Government Finance Statistics (GFS) and quality
Unit D-3: Excessive Deficit Procedure (EDP) 2

Luxembourg, 14 February 2014

FINAL FINDINGS

EDP dialogue visit to Poland

8-9 July 2013

Contents

Introduction	5
1. Institutional arrangements and data sources	5
1.1. Review of the Upstream Dialogue Visit action points	5
1.2. EDP inventory.....	7
2. Follow-up of the previous EDP standard dialogue visit	8
3. Follow-up of the latest EDP reporting – analysis of EDP tables and the related questionnaires ..	8
3.1. EDP Table 1	9
3.2. EDP Table 2	9
3.3. EDP Table 3	9
3.3.1. Statistical discrepancies	9
3.4. EDP Table 4	10
3.4.1. Trade credits	10
3.5. Questionnaire relating to the EDP-tables	11
3.5.1. Table 4 Breakdown of other accounts receivable/ payable (F.7) reported in EDP tables	11
3.6. Questionnaire on the financial turmoil.....	12
4. Other issues (transmission of GFS data etc.)	12
5. The ‘Polish Investments’ programme and the entities involved: ‘Polskie Inwestycje Rozwojowe’ (Polish Investments for Development), Bank Gospodarstwa Krajowego, and Special Purpose Vehicles.	12
6. Methodological issues and recording of specific government transactions.....	14
6.1. Government guarantees	14
6.1.1. Government guarantees by local government	14
6.2. Delimitation of general government	15
6.3. Recording of accruals.....	15
6.3.1. Taxes and social contributions, of which the calculation of uncollectible health insurance and social contribution	15
6.3.2. Cash and accrued interest in EDP tables.....	16
6.3.3. Social housing rentals	17
7. Implementation of ESA2010	18
7.1. Progress report and outstanding issues.....	18
7.2. Revision policy.....	18
8. Pension system.....	19

9.	Methodological issues and recording of specific governmental transaction	20
9.1.	Private-public partnerships (PPPs).....	20
9.1.1.	The project for the construction and operation of the A1 motorway Tuszyn – Pyrzowice section	20
9.1.2.	PPPs at the local government level.....	21
9.2.	Capital injections.....	22
9.2.1.	Identification of capital injections and their recording in EDP tables	22
9.2.2.	Financial aid to the Polish Airlines Company LOT	23

Executive summary

An EDP standard dialogue visit took place on 8-9 July 2013. It was carried out by Eurostat in order to review the implementation of the ESA95 methodology and to assure that the provisions of the ESA95 Eurostat Manual on Government Debt and Deficit as well as the Eurostat decisions are duly implemented in the Polish EDP and Government Finance Statistics (GFS) data.

Eurostat reviewed the implementation of the recommendations of the upstream dialogue visit that took place on the 6-8 March 2013. In particular, it enquired about progress on the procedure for classifying units to the general government sector, the development of operating procedures for the statistical database and the implementation of the concept of government control for all institutional entities in the context of ESA 2010.

The discussion then focused on the high level of statistical discrepancies and the steps being taken to reduce them. It was followed by an analysis of the breakdown of other accounts receivable/payable, including a review of the data sources used for the compilation of this item.

Particular attention was paid to a new government investment program 'Inwestycje Polskie' which has the aim to use state assets to finance major infrastructure investments. Eurostat underlined the importance of the correct statistical recording of this project and asked for further information concerning the units involved, i.e. the new entity 'Polskie Inwestycje Rozwojowe', the state owned bank, Bank Gospodarstwa Krajowego, and Special Purpose Vehicles (SPVs) to be created for the particular investment projects.

Eurostat reviewed progress concerning the creation of the Special Purpose Road Company and the project for the construction and operation of the A1 motorway Tuszyn-Pyrzowice stretch. Once relevant documentation is available, Eurostat will finalise its advice on the statistical recording of this project.

A number of planned private-public partnership projects were also discussed. The Polish statistical office (GUS) announced the possibility of the ex-ante consultation on their statistical recording by the end of 2013.

Particular attention was given to the planned reform of the second pillar of the Polish pension system. Due to the very preliminary stage of the project, only a general discussion over the statistical implications of the planned changes took place. Eurostat emphasized the provisions of ESA 2010 introducing a change in the statistical recording of the pension lump sum transferred to the government.

During the visit GUS described the issue of monitoring of entities under general government control and revisions due to reclassifications of non-market corporations to the general government sector in the context of revision policy in the whole national accounts.

Finally, the general preparedness for the implementation of ESA2010 was reviewed. The challenges linked to ESA2010 rules concerning government control were addressed, in particular for the local government level.

Eurostat thanked the Polish authorities for the documentation provided prior to the visit and appreciated the openness and cooperation demonstrated during the meeting.

Introduction

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009 (as amended by Council Regulation (EC) No 679/2010) on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, Eurostat carried out an EDP dialogue visit to Poland on 8-9 July 2013.

The delegation of Eurostat was headed by Mr John Verrinder, the Head of Unit D3: Excessive deficit procedure - 2. Eurostat was also represented by Mrs Malgorzata Szczesna-Rundberg, Mr Denis Besnard and Mr Georgios Papadopoulos. 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.

Poland was represented by the National Statistical Institute (Główny Urząd Statystyczny – GUS), the Statistical Office in Wrocław, the Ministry of Finance (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 and of the Bank Gospodarstwa Krajowego (BGK). The annex presents a complete list of participants.

Eurostat carried out the EDP dialogue visit with the main aims of discussing (1) the statistical recording of operations related to the 'Polish Investments' programme, (2) the planned reform of the Polish pension system (3) the steps to be taken to reduce the statistical discrepancies in the Polish EDP data and, (4) the breakdown of other accounts receivable / payable.

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

Eurostat appreciated that the Polish authorities contributed to the smooth organisation of the visit with their open and constructive approach during the meeting as well as through documents provided prior to the visit.

1. Institutional arrangements and data sources

1.1. Review of the Upstream Dialogue Visit action points

Introduction

On 6-8 March 2013 Eurostat undertook its first EDP upstream dialogue visit (UDV) to Poland. The main objective of the visit was to review the quality of the EDP reporting system, in particular primary public accounting data sources. Nineteen recommendations were communicated to GUS in the Main conclusions and recommendation final report¹ dated 24.06.2013.

¹ The UDV final report is to be published as a stand-alone document at the same time as this report.

Discussion

Eurostat reviewed the implementation of the UDV recommendations. As most of them have a deadline in late 2013, the discussion was focused on the actions with shorter deadline or with direct relevance to the standard dialogue visit. The following recommendations were discussed:

Recommendation 5. With reference to the list of government entities that appears in the Annex of the EDP inventory, and with respect to the requirements of Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States, GUS is invited to report to Eurostat the status of internal control and independent audit for the public accounting systems covering all sub-sectors of general government as at January 2014.

GUS explained that it is not the institution responsible for the implementation of this Directive in Poland. GUS will ask the Ministry of Finance which has been assigned this role. GUS also added that since it is not responsible for this Directive, it can only provide general information about Internal Control and Independent Audit arrangements. The issue was assigned for bilateral follow-up.

Recommendation 11. Eurostat invites GUS to produce a documented detailed procedure describing the decision making processes used to arrive, from the statistical database (BJS), to the final lists of government-controlled entities classified inside and outside government. This should include a description on how GUS treats inactive units which, in Eurostat's understanding, are never taken off the lists, and an estimate of how many such entities may exist at any time. Deadline: 17 June 2013.

Eurostat pointed out that the reply of GUS provided on 5 June 2013 was not complete as it covered only the list of government-controlled entities classified outside general government. Eurostat asked that the note be completed by the detailed procedure used to create the list of units classified in the general government sector. The completed note should be sent to Eurostat by end of September 2013.

Action Point 1. GUS will send to Eurostat by end-September 2013 a description of the detailed procedure for classification of units to the general government [follow-up of UDV recommendation 11].²

Recommendation 12. Rules for deciding on government control of entities should go beyond the pure measurement of ownership. Eurostat recommends that an analysis be made on the implementation of the concept of government control for all institutional entities with a forward view to implementing the requirements of ESA 2010. Deadline: October 2013.

Eurostat enquired whether GUS had already reflected on the implementation of the ESA 2010 rules concerning government control. GUS explained that for the central government level, the relevant information is available from the Ministry of Treasury. However, they do face a problem for entities belonging to the local government sector, where applying other criterion than the ownership is difficult. This is due to the number of entities involved and the lack of data sources that could be used to indicate other forms of control than through a holding of company. Eurostat indicated that other Member States have faced similar

² Action Point 1 is completed.

difficulties. For this reason, the topic will be discussed and good practices will be shared during the meetings of the relevant task force devoted to the implementation of ESA 2010.

Concerning data sources for the local government, GUS explained the limited availability of balance sheets for local government units. GUS does not have direct access to this data. It was agreed that the Polish authorities should confirm the availability of balance sheets for the local government units and inform Eurostat.

Recommendation 13. Under the management control and supervision initiative, GUS is currently developing operating procedures for the statistical database (BJS) and provided one draft chapter to Eurostat during the visit. Eurostat supports GUS's plans to produce a comprehensive compendium of operating procedures for the statistical database within 2013. Eurostat invites GUS to provide a brief report on the scope of this compendium and on the timelines for its completion by 5 July 2013. Eurostat also invites GUS to provide a copy of the final compendium upon completion. Deadline: end 2013.

Eurostat pointed out that the note received on the 5 July 2013 was limited to a list of contents for the operating procedures manual and needed to be enriched. The updated document should explain the nature, purpose and expected use of the compendium as well as timelines for its completion.

Action Point 2. GUS will send to Eurostat by end-September 2013 a short note describing the purpose and expected use of the operating procedures for the statistical database, and the timetable for completion [linked to the UDV recommendation 13].³

In addition, two UDV recommendations referring to methodological issues (rec. no 16 on trade credits reporting and rec. no. 19 on the estimation of uncollectable social housing rentals) were followed up under the relevant parts of the meeting (see items 3.4.1 and 6.3.3).

1.2. EDP inventory

Introduction

Poland usually sends an update of the EDP Inventory with every EDP notification. The updates mainly relate to the list of general government entities. The most recent version of the Inventory is dated March 2013.

Concerning the development of the new EDP Inventory, Poland participated in the pilot exercise of 2011 and provided input to 4 chapters on military expenditure, transactions with the central bank, capital injections in public corporations and public-private partnerships. Following the dialogue visit of 2011, two additional chapters were provided, on super-dividends and EU-flows. In March 2013, Poland sent Eurostat a first draft following the new template of the Inventory. The document provided was mainly the transition of information from the existing Inventory and integration of other existing metadata.

³ Action Point 2 is completed.

Discussion

Eurostat appreciated the progress so far in the development of the new EDP Inventory and enquired regarding the expected date for its completion. Eurostat emphasised that according to the agreed planning, the final version of the new Inventory should be ready in November 2013 to allow for its publication in December 2013. GUS informed that the work is on-going and that it would be able to provide substantial parts of the new Inventory before this deadline.

2. Follow-up of the previous EDP standard dialogue visit

There were 29 action points resulting from the 2011 dialogue visit. The action points were all implemented in a timely way. Two issues, action point 9 concerning delayed and unlikely to be collected receivables and action point 26 concerning Bank Gospodarstwa Krajowego, were assigned for further monitoring and consideration.

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

Introduction

During the April 2013 Notification, there were only very limited revisions reported for 2009-2011. GUS confirmed that there were no material changes in either methodology or data sources.

A delay was observed in the delivery of planned data. The Ministry of Finance informed that it was due to changes in the tax system introduced in 2012. This meant that the Ministry of Finance was unable to make accurate forecasts of general government debt and deficit for 2013 before the end of March 2013.

Discussion

Eurostat enquired further about the delay in the delivery of planned data. The Ministry of Finance explained that this should be seen as a one-off occurrence and that the risk it would be repeated in the future is limited. Eurostat highlighted the importance of timely data transmission.

Concerning timeliness, GUS informed that the Ministry of Finance had formally requested to advance, from 2014 onwards, the spring EDP notification so that the data would be ready by mid-March.

The Ministry of Finance confirmed this request and explained that it stems from the need to assure consistency in the documents needed for the update of the Convergence Programme.

GUS explained its strong limitations in complying with this request. Eurostat also expressed its concerns about the likely impact on data quality and therefore the frequency and magnitude of subsequent revisions.

Action point 3. Eurostat expresses concern over the possible advancement of compilation of the first EDP notification, notably with regard to possible impacts on the quality of the reported data. If such advancement were to proceed, GUS will send to Eurostat a full report on the impacts on quality, particularly for availability of data sources and quality assurance.⁴

3.1. EDP Table 1

A significant increase in consolidated interest (EDP D.41) was noted. The issue was further discussed and is reported under item 6.3.2.

3.2. EDP Table 2

The recording of capital transfers (inclusion in the working balance versus inclusion in the adjustment lines) was discussed and is reported under item 9.2.1.

3.3. EDP Table 3

3.3.1. Statistical discrepancies

Introduction

During the April 2013 EDP Notification, a significant level of statistical discrepancies (around 0.2% GDP) was noted in EDP Table 3A for the year 2012. It was mainly due to discrepancies at the level of the central government relating to the State Budget. GUS informed Eurostat that it had taken action together with the Ministry of Finance and National Bank of Poland to investigate and explain these statistical discrepancies. Prior to the visit, GUS provided a note on the work undertaken and the progress achieved. The note stated that the issue of statistical discrepancies is regarded as highly important and was included in the working plan of the GGSWG for 2013.

Discussion

GUS explained that so far the transaction 'Currency and deposits' (F.2.) had been analysed. The investigation showed a significant difference in stocks in AF2 between GUS and the Central Bank (in particular for the central government sub-sector) for the entire time series (Q1 2010 to Q3 2012). GUS informed that it uses data from budgetary reporting whereas the Central Bank uses data from banking reports, which show higher amounts for all years. The issue was deeply analysed and turned out to be linked with the reporting of flows related to EU funds that were not registered in the budgetary reporting. The EU funds are kept on an account in BGK and then transferred to the Central Bank according to demand.

It was concluded that the Polish authorities should revise data on stocks and flows for Currency and deposits for the years 2010-2012. As a consequence there should also be revisions of Tables 4 and 6 of the EDP Questionnaire and quarterly and annual financial accounts. The proposed changes were expected to be neutral with regards to net lending /

⁴ GUS informed that the full report would be sent after the April 2014 EDP Notification.

net borrowing of the general government and therefore would not decrease the statistical discrepancies.

Action point 4. GUS will provide Eurostat by 9 September 2013 with a note on the recording in EDP Tables 2 and 3 of receivables and payables relating to EU flows, following the results of their investigation into government bank accounts.⁵

Eurostat strongly encouraged GUS to continue its investigations into the statistical discrepancies and to analyse the potential breakdown of the discrepancies between capital and financial accounts and other statistical discrepancies, the latter often resulting from the valuation of debt. Eurostat advised GUS to analyse the correctness of valuation of sales and purchases of securities (public accounts versus national accounts) that often cause problems in other countries and may lead to discrepancies.

Action point 5. GUS will send a report to Eurostat by end-2013 on the results of further investigations into statistical discrepancies, and notably from analysis of other financial instruments.⁶

3.4. EDP Table 4

3.4.1. Trade credits

Introduction

Prior to the visit GUS had informed Eurostat that it had partially implemented the Decision of Eurostat on statistical recording of some operations related to trade credits (31 July 2012). Trade credits were reclassified as loans only if restructuring/refinancing resulted in a maturity of more than one year. However, no revision in debt figures for 2011 was observed in the April 2013 EDP Notification.

In order to fully implement the Decision, short term restructured/refinanced trade credits also need to be included in general government debt data.

Discussion

Eurostat asked for clarifications concerning the implementation of the Decision. In particular, for which years the partial implementation of the Decision took place and the timeline for its full implementation.

GUS informed that the debt data are collected based on the Regulation adopted by the Minister of Finance of March 4, 2010 on the reporting of public sector units with regard to their financial operations. Another MoF Regulation (on detailed specification of debt instruments included in public debt) defines the scope of debt instruments. Amendments to that Regulation adopted in December 2010 widened the definition of a loan, with the inclusion of liabilities related to restructured/refinanced trade credits with maturities over one year. Thus, from the first quarter of 2011 long term restructured/refinanced trade credits were already included in the general government debt data.

⁵ Action Point 4 is completed.

⁶ Action Point 5 is on-going.

Eurostat pointed out the missing data for trade credits and advances for 2009 and 2010. GUS explained this is among other due to the break in the series resulting from the lack of data on long term restructured/refinanced trade credits prior to 2011.

Concerning short term trade credits, the data is not yet available. The implementation of the Eurostat decision in this respect has required amending the above mentioned MoF Regulation. The work was initiated in 2012 but due to a need of extensive consultation it was not completed before the April 2013 EDP Notification. For the purpose of calculating general government debt for the October 2013 Notification estimates of the appropriate amount for 2012, using already available statistical data, would be sent.

Action Point 6. GUS will work on completing the time series 2009-2012 for trade credits, including long term trade credits in 2009-2010, and short term (restructured) trade credits for all years. The data will be reported in the October 2013 EDP notification, and a short description of the estimation process for short term trade credits will be provided.⁷

3.5. Questionnaire relating to the EDP-tables

3.5.1. Table 4 Breakdown of other accounts receivable/ payable (F.7) reported in EDP tables

Introduction

Tables 4.1.1 and 4.1.2 of the EDP related Questionnaire report significant amounts under the entries *Other claims* and *Other liabilities* for 2011 and in particular for 2012. Prior to the visit, GUS provided a note explaining an upward trend in recent years for 'Other claims' and 'Other liabilities'.

Discussion

GUS clarified that 'Other accounts receivable/payable' are reported with the detailed breakdown from 2011 onwards. Prior to 2011, data presents a detailed breakdown of transactions only for main units (state and local government) whereas data for other units is recorded as 'Statistical Discrepancies'.

Eurostat asked about the significant increase in 'Other claims' and 'Other liabilities' reported in the April 2013 EDP Notification.

GUS explained that the full balance sheets are available for a specific group of units: institutions of culture, health care institutions, the National Health Fund and the Polish Academy of Science. For these units, GUS is able to present all transactions; this is however mainly for the October EDP notification. In the April EDP notification, as the accounts are not finalized, a breakdown is not possible and therefore only the aggregated positions ('other claims/liabilities') are used for reporting.

In the case of units for which only the budgetary reporting is available (budget institutions, special purpose funds, social security funds and agencies), only aggregated positions ('claims', 'liabilities') are available and the recording is conducted through 'other

⁷ Action Point 6 is completed.

claims/liabilities' in Tables 4.1.1 and 4.1.2. Eurostat encouraged GUS to analyse these positions and try to identify the units with the biggest impact.

Action point 7. Eurostat takes note of the intention of GUS to look into significant unusual flows in aggregated payables and receivables, following up with the units concerned, in October EDP notifications.⁸

3.6. Questionnaire on the financial turmoil

The Polish authorities confirmed that no operation should be reported for Poland in the context of the financial turmoil. The supplementary table for the financial crisis is correctly filled with zeros.

4. Other issues (transmission of GFS data etc.)

The technical issues related to the transmission of the GFS data were agreed to be clarified bilaterally between GUS and the relevant Eurostat services.

5. The 'Polish Investments' programme and the entities involved: 'Polskie Inwestycje Rozwojowe' (Polish Investments for Development), Bank Gospodarstwa Krajowego, and Special Purpose Vehicles.

Introduction

In October 2012, the Polish government announced a new investment programme 'Inwestycje Polskie'. In brief, the aim of the programme is to use state assets to finance major infrastructure investments. The programme focuses on creating conditions for long-term financing of investment projects in the area of power (distribution and generation) and gas (transmission network, development and storage) infrastructure, development of hydrocarbon deposits (including shale gas), transport infrastructure, municipal infrastructure (waste disposal, public transport), as well as industrial and telecommunication infrastructure.

The main actors of the program are the special purpose investment company, *Polskie Inwestycje Rozwojowe (PIR)*, the state-owned Bank Gospodarstwa Krajowego (BGK) and special purpose vehicles (SPVs).

The programme's execution is based on two pillars that provide financing for investment projects - Bank Gospodarstwa Krajowego and Polskie Inwestycje Rozwojowe S.A. (PIR). Both these Institutions would be recapitalised with up to PLN 10 billion worth of shares in state-owned companies. The projected outcome of the capital injections to BGK is to leverage approximately PLN 40 billion of private investment in the early years of the Programme.

⁸ Action Point 7 is completed.

Discussion

Considering its scope and complexity, Eurostat emphasised the importance of a detailed statistical analysis of the Polish Investment Programme. Eurostat raised a number of questions with the aim to obtain a better understanding of the entities involved, their interrelations and interactions with the government.

The role of BGK was analysed, in particular in the context of the decision making process linked to the selection of the investment projects to be undertaken. Eurostat also enquired about the safeguards against government influence on the selection of the projects and the financing terms.

Many aspects linked to the set-up and the functioning of the new body 'Polskie Inwestycje Rozwojowe' was discussed. Eurostat asked about any special legislation linked to the set-up of this company. The Polish authorities informed that the unit is based on the Polish Code of the Commercial Companies. Eurostat also enquired about the autonomy of decision of this body. The Polish authorities described the relevant recruitment and dismissal procedures, the composition of its management bodies and its decision making processes. They also informed about investment policies and the level of profitability required in selected projects.

The role of the special purpose entities was also investigated. The Polish authorities explained that they will be created for each investment, with the unit 'Polskie Inwestycje Rozwojowe' acting as a minority shareholder. The strategic investors are expected to take a majority of the shares in the SPVs as well as retain control over them.

Some preliminary considerations about the main principles for statistical recording of future projects were made. Eurostat also pointed out the need to discuss the classification of the entities involved under ESA 2010, in particular in the context of the new provisions concerning captive financial institutions and special purpose vehicles.

Action point 8. Eurostat underlines the importance of the statistical recording of the "Polish Investments" project. GUS will provide further information to Eurostat as it is available (for example the composition of the boards, the investment policy, the business plan of the entity 'Polskie Inwestycje Rozwojowe - PIR'), and by 15 November 2013 will provide Eurostat with a statistical analysis of the classification of PIR and planned Special Purpose Vehicles (SPVs), and the recording of related transactions (including by BGK), including on an ESA 2010 basis.⁹

⁹ Completion of Action Point 8 was postponed until the 15th of May 2014.

6. Methodological issues and recording of specific government transactions

6.1. Government guarantees

6.1.1. Government guarantees by local government

Introduction

The data coverage of Polish government guarantees is currently limited to the central government sub-sector. The work on inclusion of local government guarantees as well as standardised guarantees is on-going.

Discussion

Eurostat enquired about the progress concerning local government guarantees in order to meet the reporting requirements of Directive 85/2011. GUS answered that the work is on-going but is faced with some difficulties. The main issue concerns the lack of data necessary for the breakdown between public and financial corporations at the local level. GUS explained it would require the Ministry of Finance to add some questions into the budgetary reporting. The GUS proposals have not yet been accepted by the Ministry of Finance.

Furthermore, GUS informed it would be able to report the data on the local government guarantees and on standardised guarantees (EDP Questionnaire Table 9.1) starting from the October 2013 EDP notification. However, it could be only done on an aggregated level as the detailed breakdowns of guarantee cash calls and repayments by the original debtor are not available. GUS suggested that these figures should be regarded to be related to assumed debt in ESA95 accounts. Taking into account the insignificant amounts involved, Eurostat agreed to this proposal.

Eurostat took note of the intention of GUS to add questions concerning local government guarantees to budgetary reporting in order to meet the reporting requirements of Directive 85/2011. Eurostat underlined the importance of the issue and encourages the Polish authorities to take the necessary steps for making the collection of the required data possible.

Action Point 9. GUS will introduce into EDP Questionnaire Table 9.1 data for student loan guarantees and local government guarantees (on an aggregated basis) from the October 2013 EDP notification. GUS will send to Eurostat some proposals for presentation of these data by 9 September 2013.¹⁰

¹⁰ Action Point 9 is completed.

6.2. Delimitation of general government

The Polish reply to the Questionnaire on government controlled entities classified outside general government was analysed. GUS informed that a few small entities should be reclassified into the general government sector in the October 2013 EDP Notification. However, considering the insignificant impact of this reclassification, GUS proposed to undertake this reclassification simultaneously with a national accounts revision in December 2013. Eurostat requested detailed information concerning the impact on deficit and debt of the reclassification of entities involved.

Action Point 10. GUS will quickly provide Eurostat with the names and debt stocks of units to be reclassified to general government simultaneously with national accounts revision in December 2013.¹¹

Eurostat pointed out three units, POLSKIE LNG S.A., KUJAWSKO - POMORSKIE INWESTYCJE MEDYCZNE SP. O.O. and SPÓŁKA RESTRUKTURYZACJI KOPALŃ S.A., on which further clarification was sought linked to the results of market/non-market test.

Action Point 11. GUS will complete its classification assessment of the units POLSKIE LNG S.A., KUJAWSKO - POMORSKIE INWESTYCJE MEDYCZNE SP. O.O. and SPÓŁKA RESTRUKTURYZACJI KOPALŃ S.A. discussed at the visit, using 2012 data, and will provide a report to Eurostat by 9 September 2013.¹²

Eurostat also enquired about the progress made concerning the development of the detailed list of government controlled entities. GUS answered that the relevant data providers had been contacted and the work was on-going and this list should be completed in May 2014.

Action Point 12. Eurostat welcomes that the Polish Authorities are developing a more detailed general government list, and would like to see this available by end-May 2014.

6.3. Recording of accruals

6.3.1. Taxes and social contributions, of which the calculation of uncollectible health insurance and social contribution

Eurostat pointed out the missing information on stocks of other accounts receivable (AF79) related to the breakdown of taxes in the EDP related Questionnaire. GUS agreed to investigate the issue and report back to Eurostat.

Action Point 13. GUS will investigate the recording of stocks receivable for detailed taxes and will provide Eurostat with an assessment by 9 September 2013.¹³

Eurostat revisited the issue of different approaches used to correct for uncollectible social contributions and uncollectible health insurance contributions. Social contributions in non-financial accounts are recorded on accrual basis with the correction in capital transfers using the coefficients for uncollectible contributions. Uncollectible health insurance contributions

¹¹ Action Point 10 is completed.

¹² Action Point 11 is completed.

¹³ Action Point 13 is completed.

are recorded using the data from the National Health Fund that already include the write-offs.

Action Point 14. GUS will provide Eurostat by 1st December 2013 with the details of the calculation of health insurance contributions which are unlikely to be collected, and its assessment if this needs to be changed, notably in comparison with the calculation for social contributions.¹⁴

During the April 2013 EDP notification, Eurostat observed an unusual trend in other accounts receivable/ payable for taxes in 2012. During the clarification, GUS explained it was due to the effect of the change in the accounting rules of VAT reimbursements (returns) and advanced payments. The relevant statistical recording was confirmed. Eurostat also highlighted the need of advance information to Eurostat on planned changes in the tax system.

6.3.2. Cash and accrued interest in EDP tables

Introduction

In order to better understand the recording of interest in the Polish EDP Notification, Eurostat requested GUS to provide an updated one-off questionnaire on reconciliation of flows entered into the EDP tables.

Discussion

A technical analysis of the reply to above questionnaire took place. Eurostat pointed out a significant increase in consolidated interest (EDP D.41) between 2011 and 2012 and enquired about the consolidation of interest in the Polish EDP notification. GUS replied that they have all the necessary information to conduct correct consolidation between the sub-sectors. The Polish authorities informed that in 2012 there was a change in Polish debt management strategy, resulting in an increase in the maturity of debt and a larger share of long-term debt. In particular it was linked to increased holdings of central government bonds by the social security fund.

Eurostat also pointed out that the adjustments in EDP Table 2A for the Difference between interest paid (+) and accrued (-) is negative for 2009-2011 but changes to a significant positive value in 2012. The Polish authorities clarified that it was because of the high positive difference between interest paid and accrued on government bonds issued on the domestic market.

Eurostat enquired about interest related to swaps. Eurostat noted that very limited amounts linked to swaps of the National Road Fund (2-3 million PLN) are reported in the financial statements of the Bank Gospodarstwa Krajowego.

The Polish authorities informed that local government cannot enter into swap operations.

¹⁴ Action Point 14 is completed.

Action Point 15. GUS will inform Eurostat of the detail of detail on all the swaps and other derivatives implemented by the National Road Fund by end-September 2013.¹⁵

6.3.3. Social housing rentals

Introduction

Following Action Point 9 from the 2011 dialogue visit, the Polish authorities had investigated the reasons and the sources of a substantial rise in other accounts receivable for output of the local government sector. It was concluded that the high values concern delayed payments or payments unlikely to be collected for 1) tenancy and renting of building and land (mainly municipal flats), 2) services rendered connected with housing services, 3) water supply and sewage infrastructure, 4) waste disposal, 5) transport services. It was established that the City Councils of the main Polish cities (Kraków, Warszawa, and Wrocław) are contributing the most to this increase. It was also confirmed that the delayed payments are not written off, regardless of their maturity date, with interest continuing to be accrued. Prior to the dialogue visit, GUS provided a note with an estimation of uncollectible social housing rentals and a proposal for reporting these revenues in the future EDP reporting. GUS suggested the recording of revenues from rental on a cash basis with no adjustments in other accounts receivable in order to assure that uncollectible amounts were not being accumulated (with an implication for the measurement of the local government deficit/surplus).

Discussion

An analysis of the provided figures for revenues from rentals and tenancy of local government assets took place. It was concluded that the difference between accruals and cash date for this item has been growing over years and that there is a need for correction to assure proper statistical recording. GUS explained that social housing rentals cannot be easily estimated, so the implementation of the correction coefficient would be difficult and would probably not lead to good results. The solution proposed by GUS (cash recording) was investigated, in particular aspects relating to the timing of payments and the repayments. GUS explained that the payments are due at the beginning of the month so no time adjustment is necessary in that regard. Concerning possible eventual repayments to tenants, GUS agreed to collect more information on their recording in the budgetary reporting but repayments were believed to be exceptional. Following these explanations, Eurostat agreed with the GUS proposal but asked the Polish authorities to confirm that the cases of write-offs do not impact the deficit of local governments (to exclude double-counting).

Action point 16. GUS will record housing rental income, and associated interest and fines, on a cash basis starting with the October 2013 EDP notification. The Polish authorities will check if write-offs relating to these items are recorded as expenditure of Local Government.¹⁶

¹⁵ Action Point 15 is completed.

¹⁶ Action Point 16 is completed.

7. Implementation of ESA2010

7.1. Progress report and outstanding issues

Introduction

In June 2013, Poland provided a reply to the Eurostat questionnaire on the impact on government deficit and debt of the ESA 2010. Some entries were left blank because not all aspects of ESA2010 had been assessed and quantified at that time. On analysed aspects, only a limited impact of ESA 2010 implementation was reported.

Discussion

Eurostat asked about the progress in assessing the impact of the implementation and the major challenges faced, if any.

The Polish authorities informed that the work is going forward but no new figures are available. Progress concerning the ESA2010 provisions on standardised guarantees and military equipment was reported. GUS explained that the biggest challenge relates to the implementation of the concept of control for the delineation of general government. GUS explained that for the central government level, they would be able to collect relevant information from the Ministry of Treasury. However, they face a problem for entities belonging to the local government sub-sector, where applying criteria other than ownership poses a problem. This is due to the number of entities involved and lack of data sources that could be used to indicate other forms of control than through a holding company. Eurostat indicated that other countries face similar difficulties. The topic would be discussed, and good practice shared, during the meetings of the relevant task force devoted to the implementation of ESA2010.

Eurostat also enquired about the impact of the inclusion of net interest in the calculation of the market/non-market test. GUS explained that such an analysis had not yet been conducted but was foreseen for the following months.

Action Point 17. GUS will perform the ESA 2010 50% test on relevant large public corporations and will inform Eurostat of the results as soon as possible.¹⁷

7.2. Revision policy

The Polish authorities raised questions concerning the revision policy to be applied in the context of reclassification of units. In particular, they were interested in the guidelines concerning the frequency and need to revise historical data due to changes in the scope of the general government sector, mainly due to reclassification of public corporations. Eurostat explained that the reclassification should take place as early as possible, taking into account the rules stipulated in the MGDD. The possibility of using estimates and back-casting methods for some parts of the historical data series were discussed. Eurostat pointed out that such cases should be carefully considered taking into account the size of the units and their likely impact on government deficit and debt.

¹⁷ Action Point 17 is completed.

8. Pension system

Introduction

Since 1999, the pension system in Poland has been based on three pillars. The 1st pillar is a 'pay-as-you-go', notional defined contributions scheme. It constitutes the Social Insurance Fund and is administered by the Social Insurance Institution (ZUS). It is classified to the general government sector as an unfunded social security scheme. The 2nd pillar is a fully-funded defined contribution scheme managed by private institutions. It consists of 14 Open Pension Funds (OFEs) managed by pension societies. It is statistically classified to the financial corporation sector. The third pillar consists of voluntary pension schemes.

In June 2013, the Polish government presented a proposal for the reform of the open pension funds (OFEs), the second pillar of the Polish pension system. Three options were presented, all involving significant limitations to the size and scope of the second pillar.

The first option foresaw that the treasury bonds held by the OFEs should be redeemed and their value recorded within each insured person's individual account at ZUS. The OFEs would be allowed to invest solely in the stock market (no longer in debentures). The report estimated that the bond transfer would reduce public debt by the equivalent of 11% of GDP.

The second option would allow people to choose whether they would like to stay in the OFE system by the submission of a written declaration confirming they want to remain in OFEs.

The third option also allowed for a choice, however with an additional transfer of 2 per cent of each person's income to OFEs, so that the entire contribution would amount to 21.52%.

Concerning the mechanism for payment of pensions, the government proposed that ten years before retirement, all of funds would be transferred incrementally from OFEs to the Polish Social Insurance Institution (ZUS), which would then take responsibility for paying pensions.

Discussion

Eurostat enquired about the next steps and the time schedule for the implementation of the reform. The representatives of the Ministry of Finance confirmed that the work was ongoing and informed that the project was at that moment subject to public consultation. Afterwards, one option (possibly with some modifications) would be chosen and directed to the Parliament for voting in the autumn. If approved, it was most likely that the reform would be implemented from 2014 onwards.

Due to the very preliminary stage of the project, only a general discussion of the statistical implications of the planned changes could take place. Eurostat emphasized the provisions of ESA 2010 introducing a change in the statistical recording of the pension lump sum transferred to the government. Under ESA 2010, such transfers will be no longer treated as an immediate government revenue (benefiting the government balance at time of transfer) but as a financial transaction without impact on the government balance at time of transfer, but only later over time. Eurostat confirmed that government bonds held as assets by government are consolidated from Maastricht Debt

The valuation of the assets transferred from OFEs to ZUS was also discussed. Eurostat pointed out the on-going discussions on transfers of pension obligations on the forum of the Eurostat Task Force on the update of the Manual on government deficit and debt in the context of ESA 2010.

Action Point 18. GUS will consult Eurostat on the reform of second pillar of the pension system, once a concrete proposal is available for statistical analysis.¹⁸

9. Methodological issues and recording of specific governmental transaction

9.1. Private-public partnerships (PPPs)

9.1.1. The project for the construction and operation of the A1 motorway Tuszyn – Pyrzowice section

Introduction

In December 2012, Poland consulted Eurostat on the statistical recording of the Special Purpose Road Company (Company) and the project for the construction and operation of the A1 motorway Tuszyn-Pyrzowice section. In its analysis, Eurostat put particular attention to the autonomy of decision of the newly-created company and its financial plans in the context of financing and market/non-market test. The levels of the sales to production costs ratio were analysed both according to the ESA95 and ESA2010 methodologies (including net interest) and turned out to exceed the 50% threshold throughout the entire lifetime of the project regardless of the methodology applied. As a result gave its provisional opinion to the Polish authorities that the Company could be classified outside the general government sector. Consequently, the gross fixed capital formation, and related flows, including debt, connected with the construction of the Tuszyn-Pyrzowice section would be recorded in the non-financial corporations sector. Eurostat stressed that the opinion was provisional upon the confirmation of the project's assumptions in the final documents to be sent to Eurostat (the Agreement between the Minister of Transport and the Company, the finalised business plan and the composition of the Management and Supervisory Board). The implementation of amendments of the Polish Law concerning the special purpose road companies should be also confirmed.

Discussion

Eurostat enquired about the progress on the project, in particular the timing of legislative changes and any modifications to the project assumptions compared to the version of December 2012.

The Polish authorities informed that the project was progressing, despite some legislative delays. It was announced that the draft legislation was undergoing consultation with other

¹⁸ Action Point 18 is on-going.

government services and was planned for voting in the Parliament in September 2013. The Ministry of Transport assured that there were no material changes introduced to the project assumptions compared with the version of December 2012 that was provided to Eurostat. The Company is planned to be set up during the autumn of 2013 and shortly afterwards the Agreement with the Minister of Transport, the business plan and the composition of the management bodies will become available and would be sent to Eurostat. Based on the information provided, Eurostat will revisit its provisional analysis and provide final advice on the statistical classification of the Company and the project.

Action Point 19. GUS will provide Eurostat with copies of the final legislation and other documents relating to the A1 motorway project, highlighting any statistical relevant issues.¹⁹

9.1.2. PPPs at the local government level

Introduction

Currently, no PPP at the local government level is reported in the EDP data. Prior to the dialogue visit, GUS provided a note on private-public partnerships which announced some new projects being developed at the local level. The projects under negotiations include the hospital in Żywiec (Śląskie voivodship), the refuse incineration plant in Poznań and PPPs for local road construction.

Discussion

Eurostat enquired about the details of these projects and GUS's preliminary view about their statistical classification. Concerning the hospital in Żywiec, GUS informed that the estimated value of the project amounts to 200 million PLN, however there had been no financial agreement so far. Some aspects of the project relating to the availability risk of a private partner and performance guarantees were considered. Further discussion was postponed until more details become available. GUS announced the possibility of an ex-ante consultation with Eurostat on this project at the end of 2013.

The contract for the refuse incineration plant in Poznań amounts to 725 million PLN, including 352 million PLN of EU funds (i.e. a hybrid project). GUS informed that the contract had been signed and it will undergo statistical analysis in the second half of 2013. Eurostat emphasised the importance of the detailed analysis of the financial structure of the project and in particular in the context of the potential involvement of Polskie Inwestycje Rozwojowe in the project. The role and the payment modalities of EU funds should be also carefully considered.

Concerning the plans for local road construction within the PPP framework, the Polish authorities informed that there is an idea to develop a model contract that could be used by the local authorities for road projects. The project is in the concept phase and no further details are available. GUS announced that the potential request for the Eurostat ex-ante advice on this issue could take place in the second half of 2013.

¹⁹ Action Point 19 is not yet completed.

Action Point 20. GUS will analyse the Żywiec hospital and Poznań refuse PPP projects, and will provide the analysis to Eurostat, with copies of the relevant contracts by end-2013.²⁰

9.2. Capital injections

9.2.1. Identification of capital injections and their recording in EDP tables

Introduction

During the April 2013 EDP Notification, the EDP data (and ESA tables 2 and 25) were revised due to the double counting of capital injections to PKP PLK, a railway company, in 2011 and 2012 in the expenditure of general government. The issue was clarified during the Notification process and the data was revised. As a follow-up, Eurostat asked GUS to investigate the data sources used for capital injections and the method for their presentation in EDP Table 2. The note with the findings was provided prior to the dialogue visit.

It explained that the information on capital injections (in cash or in kind) is obtained from the Ministry of Treasury, the Ministry of Economy, the Ministry of Transport and the Ministry of Finance as well as the Office of Competition and Consumer Protection. Information on capital injections in the local government sub-sector is obtained from the Ministry of Economy and from budgetary reporting. GUS clarified that it had not received the information whether a capital injection was included in the working balance or not in a systematic way. GUS informed that it had undertaken measures to correct this situation and that starting from the October 2013 EDP Notification it would systematically obtain such information from the data suppliers.

Discussion

Eurostat welcomed the measures undertaken by GUS to assure no double-counting of capital injections in the EDP reporting. It encouraged GUS to review the recording of all capital injections, also for past years to assure that all cases of double-counting have been eliminated.

Action Point 21. GUS will revise the EDP data for the October 2013 EDP notification to eliminate possible double-counting of capital injections in the relevant years.²¹

The breakdown of 'other capital injections' reported in EDP related Questionnaire Table 10 was analysed. Eurostat raised questions about the company Bumar, to which a substantial amount of capital injection in 2009-2012 was directed by the government. The current name of this entity is Polski Holding Obronny Capital Group²². It is the biggest industrial group of the Polish defence sector. It includes companies, with a focus on production and trade, operating in the area of military and civilian technologies. GUS agreed to collect more information on the developments in this entity and report to Eurostat on the findings.

²⁰ Action Point 20 is postponed until the end of March 2014.

²¹ Action Point 21 is completed.

²² Extraordinary General Meeting of Shareholders of Bumar Sp. z o.o. changed the name of the company to the Polski Holding Obronny Sp z o.o. - Resolution No. 5 dated on 14.06.2013. Changes in the National Court Register were made on 07.04.2013.

Action Point 22. The Polish authorities will provide a note to Eurostat by end-2013 on the activities and financial results of Bumar, the purpose of capital injections into Bumar, and analyse these capital injections against the relevant statistical rules.²³

9.2.2. Financial aid to the Polish Airlines Company LOT

Introduction

LOT is the Polish national flag carrier, of which 67% is owned by the State. It has experienced losses since 2008 and faced increasing liquidity problems as sources of funding used so far (e.g. sales of assets) were exhausted. In 2012, LOT reported a loss of 400 million PLN and the Polish government provided a rescue loan of this amount to avert bankruptcy. It was regarded as a first tranche of a 1 billion PLN aid package needed for the LOT restructuring in total. The loan was temporarily accepted by the European Commission, DG Competition. In national accounts, it was recorded as a capital transfer and included in the expenditure of government.

In June 2013, LOT asked again for up to 381 million PLN in further state aid as a part of the rescue plan, however the process of its approval by the government seemed not to be finalised.

Discussion

Eurostat enquired about the current situation in LOT and the developments concerning the restructuring plan. GUS informed that the financial situation in LOT had been gradually improving with a lower loss being expected for 2013 and profits expected for 2014. Concerning the restructuring plan, it was reported to be still under the discussion with DG Competition concerning compliance with State Aid rules. GUS informed that the second tranche of the loan was expected to be released by the end of 2013. Eurostat took note of the information and asked to be informed about the restructuring details once agreed and the statistical analysis of the related second tranche of the government loan.

Action Point 23. By 15 November 2013, GUS will provide Eurostat with further information on LOT restructuring, including its statistical analysis of the (second) government loan expected in Q3/2013.²⁴

²³ Action Point 22 is completed.

²⁴ Action Point 23 is on-going.

Annex

EDP – dialogue visit to Poland 8 – 9 July 2013			
Eurostat			
Mr John Verrinder			
Mr Denis Besnard			
Mrs Malgorzata Szczesna-Rundbreg			
Mr Georgios Papadopoulos			
ECB			
Patrick Grussenmeyer			
DG ECFIN			
Wojciech Balcerowicz			
Central Statistical Office			
1.	Mrs Halina	Dmochowska	Vice President
2.	Mrs Maria	Jeznach	Director, National Account Department
3.	Mrs Olga	Leszczyńska-Luberek	Deputy Director, National Account Department
4.	Mrs Alicja	Truszyńska	Deputy Director, National Account Department
5.	Mrs Anita	Perzyna	Head of Section, National Account Department
6.	Mrs Urszula	Kapczyńska	Consultant, National Account Department
7.	Mrs Katarzyna	Boraczewska	Chief Specialist, National Account Department
8.	Mrs Małgorzata	Borejko	Chief Specialist, National Account Department
9.	Mrs Małgorzata	Buba	Chief Specialist, National Account Department
10.	Mrs Urszula	Filipkowska	Specialist, National Account Department
11.	Mr Jerzy	Krysta	Chief Specialist, National Account Department
12.	Mr Mariusz	Madejski	Chief Specialist, National Account Department
13.	Mrs Ewa	Szczerbińska	Chief Specialist, National Account Department
14.	Mrs Agnieszka	Tymoszuk	Senior Specialist, National Account Department
Statistical Office in Wrocław			
15.	Mrs Halina	Woźniak	Deputy Director
16.	Mrs Danuta	Komarowska	Head of Section
17.	Mrs Izabela	Rudolf	Specialist
Ministry of Finance			
18.	Mr Tomasz	Szałwiński	Deputy Director, Financial Policy, Analyses and Statistics Department
19.	Mrs Bożena	Borecka	Head of Section, Financial Policy, Analyses and Statistics Department
20.	Mrs Iwona	Fudała-Poradzińska	Head of Section, Financial Policy, Analyses and Statistics Department
21.	Mrs Katarzyna	Pęcikiewicz	Senior Specialist, Financial Policy, Analyses and Statistics Department

22.	Mr Andrzej	Szpak	Senior Specialist, Financial Policy, Analyses and Statistics Department
23.	Mrs Monika	Wygoda	Adviser to the Minister, Financial Policy, Analyses and Statistics Department
24.	Mrs Agnieszka	Rutkowska	Chief Specialist, Guarantee Department
25.	Mr Krzysztof	Link	Chief Specialist, Guarantee Department
26.	Mrs Marianna	Borowska	Deputy Director, Local Government Finances Department
27.	Mrs Alina	Karolak	Chief Specialist, Local Government Finances Department
28.	Mr Marek	Szczerbak	Deputy Director, Public Debt Department
29.	Mrs Barbara	Adamowska	Head of Section, Public Debt Department
30.	Mr Damian	Brzuszek	Senior Specialist, Public Debt Department
National Bank of Poland			
31.	Mrs Monika	Lewicka	Chief Specialist, Department of Statistics
32.	Mr Janusz	Jabłonowski	Expert, Department of Statistics
33.	Mr Tomasz	Jędrzejowicz	Expert, Economic Institute
General Directorate for Roads and Motorways			
34.	Mrs Marzena	Pracz	Director, Economic and Financial Office
35.	Mr Sławomir	Siewko	
Ministry of Transport, Construction and Marine Economy			
36.	Mr Jarosław	Waszkiewicz	Director, Department of Roads and Motorway
37.	Mr Michał	Koprowski	Chief Specialist, Department of Roads and Motorway
Bank Gospodarstwa Krajowego			
38.	Mr Piotr	Kuszeński	Director, Department of Capital Investments
Ministry of Labour and Social Policy			
39.	Mr Ryszard	Mikonowicz	Adviser to the Minister, Department of Social Insurance
40.	Mr Wojciech	Kuraszyk	Chief Specialist, Department of Social Insurance
41.	Mr Krzysztof	Szymański	Chief Specialist, Department of Social Insurance
Ministry of Treasury			
42.	Mr Michał	Markowski	Chief Economist