

**Inventory of the methods, procedures and sources  
used for the compilation of deficit and debt data and  
the underlying government sector accounts  
according to ESA2010**

*Poland*

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## Background

Compilation and publishing of the Inventory of the methods, procedures and sources used to compile actual deficit and debt data is foreseen by Council Regulation 479/2009, as amended.

According to Article 8.1: *“The Commission (Eurostat) shall regularly assess the quality both of actual data reported by Member States and of the underlying government sector accounts compiled according to ESA 95.... Quality of actual data means compliance with accounting rules, completeness, reliability, timeliness, and consistency of the statistical data. The assessment will focus on areas specified in the inventories of Member States such as the delimitation of the government sector, the classification of government transactions and liabilities, and the time of recording.”*

In line with the provisions of the Regulation set up in Article 9, *“Member States shall provide the Commission (Eurostat) with a detailed inventory of the methods, procedures and sources used to compile actual deficit and debt data and the underlying government accounts. The inventories shall be prepared in accordance with guidelines adopted by the Commission (Eurostat) after consultation of CMFB. The inventories shall be updated following revisions in the methods, procedures and sources adopted by Member States to compile their statistical data”*.

The content of the Inventory and the related guidelines have been endorsed by the Committee on Monetary, Financial and Balance of Payments statistics in June 2012 and are followed by all EU Member States. This version introduces references to the ESA2010 as well as some updates of the relevant topics mirroring the changes introduced by the ESA2010.

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**Annex I – list general government units**

## **A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data**

This chapter provides a summary description on the general government sector components and specifies institutional responsibilities and basic data sources used for EDP tables and for the compilation of general government national accounts. Special attention is given to EDP tables: detailed description of components of the working balance and the transition into B.9 (net lending/net borrowing); compilation of Maastricht debt and of stock-flow adjustments; explanation of the link between EDP table 2 and 3, balancing process and statistical discrepancies.

### **1. General Government**

This section describes the coverage of the General Government sector and the sub-sectors for Poland.

The general government sector is composed by 3 sub-sectors: S.1311, S.1313 and S.1314. It includes:

#### **1.1. Central government subsector (S.1311)**

Central government subsector consists of the following units (the number of units is indicated as of the end of 2014):

- all administrative departments of the State (3414 of budgetary units),
- ministries (17),
- other central agencies (7),
- special purpose funds (25),
- budget institutions (16),
- executive agencies (10)
- other legal entities (9),
- public universities (133),
- institutions of culture (56),
- health care institutions (271),
- funds managed by Bank Gospodarstwa Krajowego (8, including National Road Fund)
- public corporations and non-profit institutions (23).

#### **1.2. State government subsector (S.1312)**

Not applicable for Poland

#### **1.3. Local government subsector (S.1313)**

In general all municipalities and municipal special purpose associations are included in local government subsector. In addition non-market producers controlled by local governments and non-profit institutions controlled and mainly financed by local governments are classified in this subsector.



Local government subsector consists of following units (the number of units is indicated as of the end of 2014):

local government budgetary units (57499 units),  
offices of the municipality / cities / cities with county rights (2478 units),  
county authorities (314 units),  
marshal's offices (16 units)  
public schools (14378 units)  
local institutions of culture (4819 units),  
local health care institutions (1140 units),  
local agricultural advisory units (16 units),  
road traffic centres (49 units)  
public corporations and non-profit institutions (39 units).

#### **1.4. Social security funds subsector (S.1314)**

Social security subsector includes:

Social Insurance Institution and its managed funds:

- Bridge Pension Fund
- Demographic Reserve Fund
- Social Security Fund

Agricultural Social Insurance Fund and its managed funds:

- Administration Fund
- Pension Fund
- Motivational Fund
- Prevention and Rehabilitation Fund
- Contribution Fund

Labour Fund

National Health Fund

Further details relating to practical aspects of sector classification for individual units into general government sector could be found in Chapter B, section 1.

## **2. Institutional arrangements**

This section provides general information on institutional arrangements relating to the production and dissemination of government deficit and debt statistics:

- responsibility of national authorities for compilation of individual EDP tables and underlying government national accounts, as defined by ESA2010 Transmission Programme;
- institutional arrangements relating to public accounts which are used by statistical authorities for compilation of government national accounts and EDP tables;
- general overview about bookkeeping system used by public units, internal quality checks and external auditing;
- communication between individual national authorities involved in EDP;
- publishing of deficit and debt statistics.

### **Legal basis for the compilation of GFS and EDP data**

In Poland there is the Programme of Statistical Surveys of Official Statistics (PBSSP) which is adopted on annual basis by the Council of Ministers through regulation. In the PBSSP there are following surveys for the GFS:

- Fiscal Deficit and Debt Notification for the General Government Sector – data for the EDP purposes and for Tables 2, 9 and 11 of the ESA2010 Transmission Programme,
- Quarterly Non-financial Accounts for the General Government Sector,
- Fiscal Data for the EU Budgetary Surveillance Purposes – data required by the Council Directive 2011/85/EU,
- Financial Accounts for the General Government Sector.

The Programme of Statistical Surveys of Official Statistics is prepared according to the strictly defined procedure.

For each survey the PBSSP defines :

- 1) the subject and the unit (institution) conducting the survey;
- 2) the type of survey (exhaustive, representative);
- 3) the subjective and objective range of the survey and data sources;
- 4) units obliged to provide information and statistical data or participating in the survey on a voluntary basis (does not apply to the EDP upstream data);
- 5) way, frequency, time and place of data delivery;
- 6) types of statistical information resulting from the survey as well as ways and time of its dissemination;
- 7) costs and sources of financing.

## **2.1. Institutional responsibilities for the compilation of general government deficit and debt data**

This section describes institutional responsibilities for compilation of Government Finance Statistics (national accounts for general government and EDP tables). Further related information is described in section 2.3 Communication.

National accounts data for general government are transmitted to Eurostat<sup>1</sup> via the following tables (see the related EU legislation)<sup>2</sup> :

Table 2 – Main aggregates of general government (annual data)

Table 6 – Financial accounts by sector (annual data)

Table 7 – Balance Sheets for financial assets and liabilities (annual data)

Table 801 – Non-financial accounts by sector (quarterly)

Table 9 – Detailed Tax and Social Contribution Receipts by Type of Tax or Social Contribution and Receiving Sub-sector (annual data)

Table 11 – Expenditure of General Government by function (annual data)

Table 25 - Quarterly Non-financial Accounts of General Government

Table 26 – Balance sheets for non-financial assets (annual data)

Table 27 – Quarterly Financial Accounts of General Government

Table 28 – Quarterly Government Debt (Maastricht Debt) for General Government

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<sup>1</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

<sup>2</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:174:0001:0727:EN:PDF>

Data on government deficits and debt levels are reported to Eurostat twice a year (in April and October) in EDP notification tables<sup>3</sup>.

**Table 1. - Institutional responsibilities for the compilation of general government national accounts and EDP tables**

Institutional responsibilities <i>(the appropriate cells are crossed)</i>		NSI	MOF	NCB	Other
<b>Compilation of national accounts for General Government:</b>					
Nonfinancial accounts	annual	X			
	quarterly	X			
Financial accounts	annual	X			
	quarterly	X			
Maastricht debt	quarterly		X		

<b>Compilation of EDP Tables:</b>					
EDP table 1	actual data	deficit/surplus	X		
		debt		X	
		other variables	X		
	planned data	deficit/surplus		X	
		debt		X	
		other variables		X	
EDP table 2 (actual data)	2A central government		X		
	2B state government		Not applicable for PL		
	2C local government		X		
	2D social security funds		X		
EDP table 3 (actual data)	3A general government		X		
	3B central government		X		
	3C state government		Not applicable for PL		
	3D local government		X		
	3E social security funds		X		
EDP table 4			X		

<sup>3</sup>[http://epp.eurostat.ec.europa.eu/portal/page/portal/government\\_finance\\_statistics/excessive\\_deficit/edp\\_notification\\_tables](http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/excessive_deficit/edp_notification_tables)

## EDP tables and data sources - Central Government sub-sector, EDP table 2A and 3B

*NSI - National statistical institute including units subordinated to the NSI (the latter is to be specified in comments)*

*MOF – Ministry of Finance/Economy including units subordinated to the MOF (to be specified in comments)*

*NCB – National Central Bank*

*Other – other national body, to be specified in comments*

In the compilation of the GFS data there are mainly involved two institutions: Central Statistical Office (CSO), in Polish - Główny Urząd Statystyczny (GUS) and Ministry of Finance, in Polish – Ministerstwo Finansów (MF).

Central Statistical Office is responsible for compiling following tables:

Table 1 EDP – actual data concerning deficit/surplus, gross fixed capital formation, interest, gross domestic product at current market prices

Table 2 EDP – all variables concerning actual data

Table 3 EDP – all variables

Table 4 EDP – all variables

ESA Table 2 – Main aggregates of general government (annual data)

ESA Table 6 – Financial accounts by sector (annual data)

ESA Table 7 – Balance Sheets for financial assets and liabilities (annual data)

ESA Table 8 – Non-financial accounts by sector (annual data)

ESA Table 801 – Non-financial accounts by sector (quarterly)

ESA Table 9 – Detailed Tax and Social Contribution Receipts by Type of Tax or Social Contribution and Receiving Sub-sector (annual data) including the list of taxes and social contributions according to national classification

ESA Table 11 – Expenditure of General Government by function (annual data)

ESA Table 25 - Quarterly Non-financial Accounts of General Government

ESA Table 26 – Balance sheets for non-financial assets (annual data)

ESA Table 27 – Quarterly Financial Accounts of General Government.

CSO was also responsible for compiling following tables for years 1995-2008:

ESA Table 6 – Financial accounts by sector (annual data)

ESA Table 7 – Balance Sheets for financial assets and liabilities (annual data).

In 2010 National Bank of Poland, in Polish - Narodowy Bank Polski (NBP) took over the responsibility of preparing annual financial accounts. However, compilation of annual and quarterly financial accounts for general government is done by GUS.

Ministry of Finance is responsible for:

Table 1 EDP – statistics on general government debt and planned data (all variables)

Table 2 EDP – planned data

ESA Table 28 – Quarterly Government Debt (Maastricht Debt) for general government.

All data from Ministry of Finance are sent to CSO. CSO fills all variables into EDP tables and ESA tables and transmits them to Eurostat via EDAMIS. Affidavit is signed by directors of CSO and MF departments responsible for preparation of the data under each EDP notification.

Final approval of EDP data is done by the Central Statistical Office. EDP Tables are sent to Eurostat with the official letter signed by President of CSO.

### **2.1.1 Existence of an EDP unit/department**

In Central Statistical Office National Accounts Department (NA) is responsible for the EDP notification. There are two sections that deal with the general government issues (since August 2013):

- Government Finance Statistics Section – the main producer of EDP statistics, general government financial and non-financial accounts and annual data for IMF and
- Section for General Government Issues – for methodological issues, delimitation of gg sector (in accordance with procedure of the classification units to general government) and for compilation of data under the Council Directive 2011/85/EU *on requirements for budgetary frameworks of the Member States* in the scope of PPPs, guarantees, capital injections, and non-performing loans etc. The section also develops the Programme of Statistical Surveys of Official Statistics (PBSSP) in the range of GFS and EDP. Additionally the section cooperates with Statistical Office in Wrocław to develop questionnaire on government controlled units classified outside general government. There is formal cooperation agreement dated 6 November 2014 between the National Accounts Department and Statistical Office in Wrocław for the classification of public units to general government.

Data concerning gross fixed capital formation are elaborated in the Investment Outlays and Fixed Assets Section of the NA Department and data about Gross Domestic Product and Gross National Income at current market prices are elaborated in Integrated Macroeconomic Accounts Section of the NA Department. NA cooperates also with Statistical Office in Łódź in field of quarterly revenue, expenditure and net lending /net borrowing seasonally adjusted.

Data concerning general government debt (quarterly and annual data as well as forecasts ) are prepared by Ministry of Finance – Public Debt Department. Macroeconomic Policy Department in MoF is responsible for the government deficit / surplus and GDP forecasts.

All EDP data are filled into tables by employees of Government Finance Statistics Section. Data are sent to Eurostat via EDAMIS by Information Department in GUS.

### **2.1.2 Availability of resources for the compilation of GFS data**

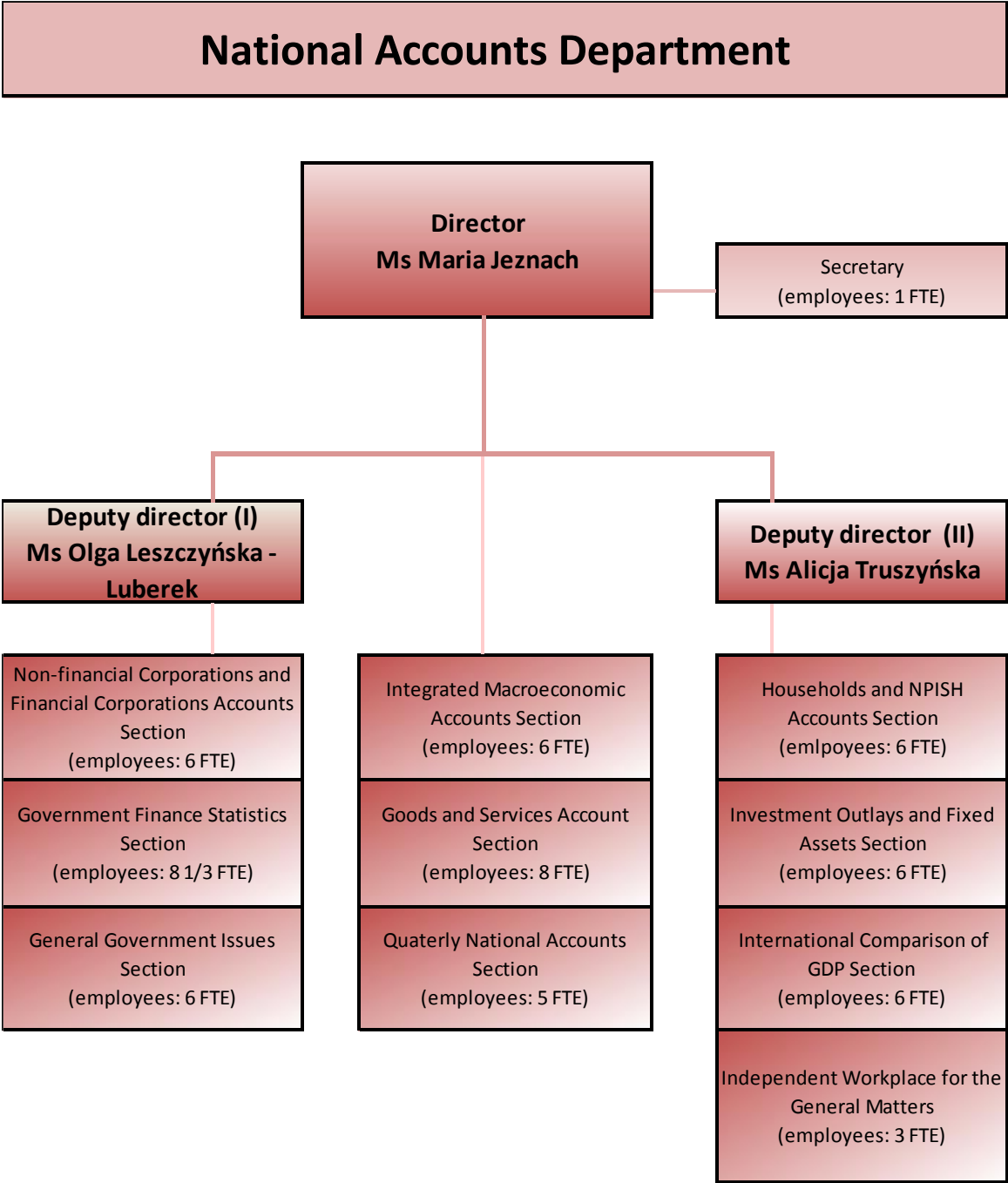
The responsibilities concerning GFS statistics are described in point 2.1.

For preparing GFS statistics, upstream data are collected from other institutional units like ministries, funds, agencies and other legal entities. There are used also data collected by other departments of CSO, for example data on public enterprises and institutions of culture are received from Enterprise Department. National Accounts Department participates in consultations concerning changes in budgetary reporting and statistical questionnaires. NA Department also proposes to collect new data or to launch new questionnaires in order to improve data availability.

Data collected by Government Finance Statistics Section are checked for completeness, coherence and comparability.

The staff of Government Finance Statistics Section is obliged to transmit data to Eurostat as well as to International Monetary Fund (annual GFS data).

Organizational chart of National Accounts Department of CSO:



**2.2. Institutional arrangements relating to public accounts**

Generally, “public accounts” are basic source data for GFS compilation, i.e. EDP tables as well as annual and quarterly national accounts for general government. Public accounts are used by public units and refer to accounting records and relating accounting outputs (e.g. financial statements) based on the accounting framework defined by a national legislation. This section provides a general overview on institutional responsibilities relating to public

accounts. Further details on public accounts for individual government subsectors are described under relevant sections on data sources and EDP tables.

### 2.2.1 Legal / institutional framework

In Poland, to the general government sector are classified two groups of units (see point 5.1), i.e. organizational units classified, according to the national methodology, to the public finance sector (the 1<sup>st</sup> group) and units that are not part of the public finance sector (the 2<sup>nd</sup> group). In case of the former, accounting principles are not uniform. Public finance sector entities conduct accounts in accordance with:

- The Public Finance Act dated 27 August 2009 (Journal of Laws 2009 No. 157, Item 1240, as amended)
- The Accounting Act of 29 September 1994 (Journal of Laws of the Republic of Poland 2013 Item 330)
- Implementing rules of the Public Finance Act.

The basis of accounting for public finance sector units is Article 40 of the Public Finance Act, which sets that they keep accounts in accordance with the Accounting Act, taking into account the principles set out in the Public Finance Act. Some of public finance sector units must also take into account special arrangements arising from the laws under which they are created. However, the main piece of legislation regulating the principle of financial and accounting system records for the public finance sector entities is the Accounting Act. In matters not regulated by this act the units in determining accounting principles (policy) may apply national accounting standards (KSR) issued by the Accounting Standards Committee, and in their absence – international accounting standards (IAS).

In particular, the specific solutions for bookkeeping occur in the budgetary units. In accordance with the provisions of Art. 80 paragraph 1 of the Accounting Act, for municipalities, counties, regions and their associations, as well as:

- State, municipal, district and provincial budgetary units,
- Municipal, district and provincial budget institutions,
- State special purpose funds,

it do not apply the provisions of Chapter 5 of the Accounting Act on the financial statements, Chapter 6 – governing the preparation of consolidated financial statements of the capital group and chapter 7 – setting out rules for testing, or submitting to the relevant register court, sharing and publishing of financial statements.

Accounting for the budgetary units involves:

- the implementation of the state budget,
- the implementation of the budgets of local government units,
- european funds budget,
- budgetary units,
- local government budgetary institutions,
- state special purpose funds.

The Minister of Finance sets specific accounting principles for budgetary entities under the following implementing provisions of the Public Finance Act:

- The Regulation of the Ministry of Finance dated 5 July 2010 *on the specific principles of accounting and charts of accounts for the state budget, budgets of local self-government units, budgetary entities, self-government budgetary establishments, designated state funds and state budgetary entities located outside the territory of Poland* (Journal of Laws No. 128, item 861, as amended);

- The Regulation of the Ministry of Finance dated 25 October 2010 *on the accounting policies and chart of accounts for the tax authorities of local government units* (Journal of Laws No. 38, item 207, as amended);
- Ordinance No. 54 of the Minister of Finance dated 13 December 2010 *on the accounting principles and chart of accounts of the tax authorities subordinate to the Minister of Finance, for the collection and settlement of taxes, fees, payments from profits of state enterprises and sole shareholder Treasury companies, and other non-tax state budget receivables to setting or determining which the tax authorities are entitled* (Official Journal of the MoF 2012 item 55).

Accrual basis is laid down in Article 6 paragraph 1 of the Accounting Act, but the units performing budget, both the state budget and the budget of local government units, apply the accrual basis in a limited way. In accordance with current regulations, fixing the state budget deficit/surplus or deficit of the budget of the European funds takes place on separate accounts in terms of actually realized tax and non-tax revenue and expenditure of the state budget (cash basis), and in terms of actually realized income and expenditure of European funds (cash basis). In case of local government units in order to determine the surplus or deficit of those units, the operations on their income and expenses are recognized in the accounting on separate accounts in terms of actually realized revenues and expenditures paid to bank accounts, budgets and accounts current income and expenditure budget units (cash basis), with the exception of special operations specified in separate regulations.

However, state and local government budgetary units, local government budgetary institutions and social security funds apply the accruals basis.

In case of the units that are not part of the public finance sector (the 2<sup>nd</sup> group), accounting principles are uniform. They conduct accounts in accordance with the Accounting Act. In matters not regulated by this act the units in determining accounting principles (policy) may also apply national accounting standards (KSR) issued by the Accounting Standards Committee, and in their absence – international accounting standards (IAS). They apply the accrual principle.

Budgetary units use a double entry bookkeeping system. Entities applying the Accounting Act use double entry bookkeeping systems that comply with Accounting Act regulations.

All public units are free to choose the IT system for bookkeeping. The Accounting Act specifies the general requirements and characteristics that bookkeeping systems and accounting records have to meet for example related to audit trail, minimum requirements for general ledger and sub-ledgers, minimum content of accounting record etc.

For both groups of entities, i.e. the public finance sector units and units that are not its part, provisions in the scope of accounting policy includes Article 10 of the Accounting Act. Additional findings in the scope of charts of accounts for:

- the state budget,
- budgets of local governments units,
- budgetary units,
- local government budgetary units,
- state special purpose funds,
- budgetary units located outside the territory of Poland,

have been established in the Public Finance Act and in the Regulation of the Ministry of Finance *on the specific principles of accounting and charts of accounts for the state budget, budgets of local self-government units, budgetary entities, self-government budgetary establishments, designated state funds and state budgetary entities domiciled outside the territory of Poland.*



The basis of the accountancy records in both groups of units are accounting evidence proving the an economic operation, which should be consistent with the actual course of economic operation, which is documented, complete and free from errors. Features of accounting evidence have been defined in Article 21 of the Accounting Act.

Accounting Department of the Ministry of Finance is responsible for bookkeeping standards used by public units (drafting of Accounting Act and Minister of Finance Regulations) and Polish Accounting Standards Committee (responsible for issuing Polish Accounting Standards). Accounting Department of the Ministry of Finance designs financial statements in the Accounting Act and in Minister of Finance Regulations (just for budgetary units).

Ministry of Finance for the units from the first group is also responsible for data collection and processing. Ministry of Finance collects data for the development, implementation and monitoring of the implementation of the State Budget.

In addition, Ministry of Finance is responsible for internal quality and consistency checks and validation – it coordinates the management control and internal audit on central level and carries out activities in area of dissemination of standards, issuing guidelines, ensures cooperation with domestic and foreign organizations and audit committees.

Accounting Department of the Ministry of Finance does not plan any substantial change of the rules for bookkeeping for the public sector entities in the foreseeable future (the last update of regulations in this scope was introduced in 2010). It takes point in work on EPSAS.

## **2.2.2 Auditing of public accounts**

### *2.2.2.1 General government units*

Mandatory financial audit results from the laws under which selected business entities in Poland must examine its annual financial statements.

In accordance with Article 64(1) of the Accounting Act, the following entities are obliged to have their financial statements audited (by statutory auditor):

- 1) banks, insurers and insurance companies, co-operative savings and credit banks;
- 2) entities which operate on the basis of regulations on trading in securities and regulations on investment funds, and entities which operate on the basis of regulations on the organisation and operations of pension funds;
- 3) joint-stock companies, except for companies in the process of organisation as at the balance sheet date;
- 4) all other entities which in the prior financial year for which the financial statements were prepared, met at least two of the following conditions:
  - a) the annual average number of employees in full-time equivalents amounted to at least 50;
  - b) the total assets as at the end of the financial year were at least the Polish zloty equivalent of EUR 2,500,000;
  - c) the net revenue from the sales of merchandise and finished goods and the financial transactions for the financial year was at least the Polish zloty equivalent of EUR 5,000,000.

Under Article 64, paragraph 1, item 4 are also being examined statements of public sector units (mainly statements of independent health care facilities, higher education institutions and cultural institutions).

Whereas, according to the applicable regulation of Article 268 of the Public Finance Act, financial statements issued by local government units are required to be audited by auditors, in case of locations where the population, as of 31st December of a year preceding the year covered by the financial statements, exceeds 150,000 inhabitants, based on the records kept by the Central Statistical Office of Poland.

Subject to the audit requirement are also the financial statements of acquiring companies and newly-set companies, prepared for the financial year in which the business combination took place, as well as the annual financial statements prepared in accordance with international accounting standards (IAS).

Each entity may commission the audit of its financial statements.

These audits comply with the private sector auditing standards.

Units conducting accounts, which must be audited by the statutory auditor are obliged to submit their financial statements to the National Court Register (KRS)<sup>4</sup>, the record of the submission of annual financial statements in the National Court will be transferred automatically to be published in the Court and Economic Monitor (MSiG). Units that are not covered by the entry in the KRS but whose financial statements are subject to mandatory examination by the auditor are committed to their publication in MSiG. The website: <http://www.imsig.pl/>.

The audit date of financial statements is usually specified in a contract between a statutory auditor and the entity in which the book will be investigated. It is generally agreed upon between the parties, in such a way as to be convenient for both parties. However, the investigation should end no later than 6 months from the reporting date, so that the authority approving the financial statements had the opportunity to read the opinion and the report even before its approval. This is the most common day of December 31, when the fiscal year coincides with the calendar year.

In addition, units of the general government sector are audited by the Supreme Audit Office and the regional chambers of auditors.

#### The Supreme Audit Office (NIK)

NIK is the supreme organ of state audit and subject to the Parliament. NIK shall audit the activity of the organs of government, the Narodowy Bank Polski, state legal persons and other State organizational units regarding the legality, economic prudence, efficacy and reliability. It may audit the activity of organs of local self-government, communal legal persons and other communal organizational units regarding the legality, economic prudence and diligence.

In addition, NIK may also audit, regarding the legality and economic activity of other organizational units and economic operators to the extent to which they utilize state property or resources or communal fulfill their financial obligations to the state.

The Supreme Audit Office conducts financial audits, budget executions, and performance and compliance audits for the general government. NIK does not perform financial statements audit.

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<sup>4</sup> National Court Register (KRS) – the register kept in a computer system by district courts (economic courts), including the entities to which the provisions of laws are required to be entered in the register. The National Court Register comprises:

- register of companies,
- register of associations, other social and professional organizations, foundations and public health care,
- register of insolvent debtors.

The Supreme Audit Office shall present to the Parliament an analysis of the State Budget and monetary policy execution, an opinion concerning discharge to the Council of Ministers and information on the results of audits, conclusions and submissions specified by the Act on the NIK.

The interim reports from the Supreme Audit Office are sent to the audited executive level and to the relevant parliamentary committee. They are composed of opinions on budget execution statements, findings and recommendations. The report, including an analysis of the national monetary policy, is sent to the lower chamber of the Parliament. The audits take place each year. The budget execution as well as performance and compliance audit reports are made public in the period June-July every year. Reporting is required by law. The website:

<https://www.nik.gov.pl/o-nik/sprawozdania-z-dzialalnosci-nik/>. In addition, the audit reports of the individual units are published after each inspection at the following website: <https://www.nik.gov.pl/kontrole/wyniki-kontroli-nik/>.

The Supreme Audit Office operates on the basis of the Constitution of the Republic of Poland, the Act on the NIK, the Statutes and Regulations of the President of the Office. The provisions of the law determine among other things the position of NIK, its tasks, the mode and scope of activities and the internal organization.

#### The regional chambers of auditors (RIO)

RIO have been created as bodies supervising and controlling the local government units in the area of financial management and public procurement and operating information and training in budgetary matters. The regional chambers of auditors perform an audit of all accounts of public local authorities and their public accountants. In the case irregularities committed by managers or accountants are noted during the audit, the chamber notifies the relevant administrative and legal authorities. The regional chambers of auditors' review focuses on the regularity of the actions of management, the use of resources and the evaluation of the results achieved against objectives set by the local legislative assembly. RIO may also audit other entities that use subsidies from the budget of local government units. RIO does not perform financial statements audit.

The interim performance and compliance audit reports from the regional chamber of auditors are sent to the audited executive level. They are composed of findings, assessments and recommendations. The joint reports of the regional chamber of auditors are sent annually to respective committees of the lower chamber of Parliament no later than 30<sup>th</sup> of June. The audits take place each year and audit reports are made public. Reporting is required by law. The website:

[http://www.rio.gov.pl/modules.php?op=modload&name=HTML&file=index&page=publ\\_sprawozdania](http://www.rio.gov.pl/modules.php?op=modload&name=HTML&file=index&page=publ_sprawozdania). In addition, the audit reports of the individual units are published after each inspection at the website of the particular RIO<sup>5</sup>:

- 1) <http://bip.warszawa.rio.gov.pl/>
- 2) <http://www.bialystok.rio.gov.pl/>
- 3) <http://www.bydgoszcz.rio.gov.pl/>
- 4) <http://www.bip.gdansk.rio.gov.pl/>
- 5) <http://www.katowice.rio.gov.pl/>

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<sup>5</sup> In Poland, in accordance with the territorial division of the Country there are sixteen regional chambers of auditors.

- 6) <http://bip.kielce.rio.gov.pl/>
- 7) <http://www.krakow.rio.gov.pl/>
- 8) <http://www.lublin.rio.gov.pl/>
- 9) <http://www.lodz.rio.gov.pl/>
- 10) <http://www.olsztyn.rio.gov.pl/>
- 11) <http://www.rio.opole.pl/154/o-rio-strona.html>
- 12) <http://www.poznan.rio.gov.pl/>
- 13) <http://www.rzeszow.rio.gov.pl/>
- 14) <http://www.szczecin.rio.gov.pl/>
- 15) <http://www.wroclaw.rio.gov.pl/show.php>
- 16) <http://www.zielonagora.rio.gov.pl/>

RIO operate on the basis of the Polish Constitution, the Act on the RIO and the regulation of the Prime Minister on headquarters and the territorial coverage of the regional accounting chambers and the detailed organization of the Boards, the number of members of the college and course of activities.

The Central Statistical Office in Poland annually receives reports of NIK and RIO in the period June-July.

Details of arrangements for audit for public accounts system in gg are provided in annex to the inventory.

#### *2.2.2.2 Public units, not part of general government*

According to the Accounting Act currently the subject of auditing are consolidated annual financial statements of capital groups and annual unconsolidated financial statements of the units referred to in Article 64 (1) (see point 2.2.2.1). In some cases the obligation to audit the financial statements is governed by other legislation than the Accounting Act. As an example we can give public interest organizations, which have been granted separate regulation in this area.

Additionally, public units, not part of general government sector, may be audited by the following authorities:

- the Supreme Audit Office (NIK), regarding the legality and economic activity to the extent to which they utilize state property or resources or communal fulfill their financial obligations to the state,
- the regional chamber of auditors (RIO), regarding the use of the subsidies awarded and their "settlement" by subsidizing authority.

Details of the preparation and publication of audit reports by statutory auditors, NIK and RIO are described in point 2.2.2.1.

## **2.3. Communication**

### **2.3.1 Communication between actors involved in EDP**

#### *2.3.1.1 Agreement on co-operation*

In Poland, three institutions are involved in the EDP process: Central Statistical Office, Ministry of Finance, National Bank of Poland (in the field of methodology). CSO coordinates process of preparing EDP notifications. The responsibility of particular authorities are covered in point 2.1.

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

The Official Statistics Act:

“Article 7. 1. If a statistical survey shall be conducted on the obligatory basis, respondents shall be obliged to provide and submit to the organiser of the survey complete, compliant with the state of facts, accurate and exhaustive data, according to the detailed scope, form, rendering and deadlines specified in the programme of statistical surveys of official statistics.”

“Article 13. 1. Bodies of public administration, the Social Insurance Establishment, the National Health Fund, the Financial Supervision Authority, as well as other central or local legal entities, registration agencies and other entities running official registers shall transmit or make accessible, on a free-of-charge basis, to official statistics services, administrative data gathered in a detailed scope, form and within deadlines specified in the programme of statistical surveys of official statistics, in particular in the form of data files from ICT systems, including the results of measurements, and data on environment monitoring, and in the case an ICT system is lacking – in another agreed form.”

Cooperation in the field of EDP methodology takes place under the General Government Statistics Working Group (GGSWG) which was established on the basis of internal order of the President of the CSO. GGSWG has been operating continuously since 2004, and its activities are constant. The composition of the Working Group was determined in consultation with the Minister of Finance and President of the National Bank of Poland. The group consists of representatives from the Central Statistical Office, the National Bank of Poland, the Ministry of Finance, the Statistical Office in Katowice and the Statistical Office in Wroclaw. The Working Group is a consultative and advisory body to the President of the CSO. The tasks of the team is to coordinate the exchange of information between the institutions, the preparation of proposals concerning methodological and organizational issues. Decisions are taken after consultations by the Chairman, which is always an expert from the CSO.

In case of doubt, the Chairman shall submit the case for a decision to the President of the Central Statistical Office. The GGSWG conclusions with the substantiation, assessed by the supervising member of management of the CSO should be presented. For the analysis and preparation of proposals for methodological decisions, on issues covered by the terms of reference of the Working Group, the Chairman may create sub-working groups composed of members of the Working Group and other employees of the CSO, the Ministry of Finance and the National Bank of Poland.

To meetings of the Working Group are also invited representatives of other bodies of public administration and other organizations, whose participation is necessary for the implementation of the tasks of the Group. In justified cases, the Working Group may decide to ask Eurostat for opinion on matters related primarily to the interpretation of the ESA

methodology. The Chairman shall convene meetings of the Group in accordance with the current needs of the Central Statistical Office, the Ministry of Finance or the NBP. There is also possibility to consult with members of the team by e-mail. Meetings and consultations are documented in the form of a protocol. The team annually presents to the President of the Central Statistical Office, the Minister of Finance and the President of the National Bank of Poland report on the results of work undertaken and the list of the tasks for the following year.

#### *2.1.1.1 Access to data sources based on public accounts*

CSO has access to data sources based on public accounts under the Official Statistics Act dated 29 June 1995 and the annual regulations of the Council of Ministers on the programme of statistical surveys of official statistics (PBSSP) – see point 2.3.1.1.

The issue of administrative data acquisition from the administrators of data for the purposes of statistical surveys regulates internal ordinance of President of CSO dated 6 June 2008 *on the principles of adoption of administrative data sets and forms and modes of their flows in the processing operation*.

The aggregated data is delivered to CSO in electronic editable format by mail on address of Informatic Repository of All-Poland Statistical Data (ISODS) in Statistical Computing Centre of CSO. However, in accordance with the above ordinance individual data are received directly from administrators of data by staff of Statistical Computing Centre according to prepared procedures guaranteeing the security of the transmission and acceptance, along with an accompanying transfer protocol.

All data available in an electronic format are stored on the servers in CSO.

Data from public accounts are delivered in electronic format (database, Excel files or, sometimes in pdf format) and/or in the paper form. Together with the data, CSO receives specification containing information about transmitted data. Sometimes, a letter about delivering, signed by the director of department or the president of the entity sending the data is attached. Financial statements are signed by the Chief Accountants.

Data delivered in database are aggregated without the possibility to match revenues and expenditures with the particular budgetary unit. Normally, data for particular unit are obtained from various suppliers in different forms. In case of receiving different data, CSO contacts suppliers and verify data. The main reason of differences are various types of data aggregation (for example: profit and loss accounts in comparative and calculative versions).

### **2.3.2 Publication of deficit and debt statistics**

#### *2.3.2.1 Publication of EDP data*

EDP data are released by CSO twice a year. The press release covers data on deficit/ surplus, debt for total S.13 and by subsectors (data in national currency and as a percentage of GDP) and all revenues and expenditures of general government sector and subsectors for years covered by current EDP notification. In cases of major revisions, explanations are included. The same data are published in the Statistical yearbook of Poland. CSO does not publish EDP tables. Publication of forecasts depends on the decision of the MoF, but usually they are not published.

Starting from 2014 data, according to changes in the Law on public finances (par. 38b), EDP data are released around 16<sup>th</sup> of April., i.e. just after receiving from Eurostat information on their approval. In order to maintain the coherence policy of publication, data from October EDP notification are also released earlier than publication by Eurostat (i.e. just after their approval by Eurostat).

The preliminary data about deficit/surplus of the general government as well as main transactions of revenues and expenditure are delivered each year around 23<sup>th</sup> of March to Ministry of Finance, for the actualisation of the Convergence Programme.

#### *2.1.1 Publication of underlying government ESA2010 accounts*

On the CSO website there are published: ‘Inventory of the methods, procedures and sources used for the compilation of deficit and debt data and the underlying government sector accounts compiled according to ESA95’, the list of units classified in the general government sector (updated annually) and prepared in 2010 by the CSO in co-operation with MoF and National Bank of Poland manual “Statystyka sektora instytucji rządowych i samorządowych” (General Government Statistics). The documents are available at [http://www.stat.gov.pl/gus/rachunki\\_narodowe\\_PLK\\_HTML.htm](http://www.stat.gov.pl/gus/rachunki_narodowe_PLK_HTML.htm)  
CSO does not publish general government accounts on its website.

### **3. EDP tables and data sources**

This section reports on availability and use of basic data sources for the compilation of national accounts and EDP tables, by general government subsectors and main units/groups of units. It also aims at describing adjustments to basic data source in order to compile ESA2010 based deficit/surplus; EDP tables compilation techniques, balancing practices; link between EDP table 2 and 3.

#### **3.1. EDP table 1**

EDP table 1 provides the core, summary information for the reporting period, as requested by the related EU legislation<sup>6</sup>: net borrowing(-)/net lending(+)(B.9) for general government sector and its subsectors, outstanding amount of Maastricht debt by instruments, Gross Domestic Product (GDP), gross fixed capital formation (GFCF) for GG sector and data on interest expenditure (D.41) .

This section focuses on Maastricht debt only. A detailed description of B.9 calculation and data sources for individual subsectors is covered under section 3.2.

#### **3.1.1 Compilation of Maastricht debt**

##### *3.1.1.1 Specification of debt instruments*

Major Maastricht debt instruments:

1. AF.2 includes:

- a. deposits of public sector entities (from May 2011) - liquid funds of public sector entities allocated on accounts maintained by the Ministry of Finance;
- b. court deposits (from January 2015) – funds submitted to court deposits used in managing the State budget liquidity;

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<sup>6</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2014:069:0101:0101:EN:PDF>

2. AF.31 includes T-bills issued by the State Treasury on domestic market with maturities up to 52 weeks;
3. AF.32 includes:
  - a. T-bonds issued by the State Treasury on domestic market:
    - 2-year zero coupon bonds;
    - floating rate bond with original maturities up to 10 years;
    - fixed rate bonds with original maturities up to 30 years;
    - inflation linked bonds with original maturities 12-year and 15-year.
  - b. T-bonds issued by the State Treasury on foreign markets denominated in EUR, CHF, USD and JPY with original maturities up to 50 years;
  - c. Brady Bonds issued subject to the agreement with London Club banks on October 27th, 1994 and included six various securities with different terms and maturities up to 30 years. Brady bonds were prematurely repurchased between 1995 and 2012;
  - d. private placement instruments (to October 2013);
  - e. fixed rate bonds with original maturities up to 30 years issued by National Road Fund on domestic market;
  - f. one-off issuances by National Road Fund denominated in PLN or EUR;
4. AF.41 includes: bonds offered by the State Treasury to individual investors (non-negotiable instruments): fixed rate savings bonds with maturity up to 12 months;
5. AF.42 includes:
  - a. bonds offered by the State Treasury to individual investors (non-negotiable instruments):
    - fixed rate savings bonds with maturity between 12 and 23-months,
    - 2-year fixed rate savings bonds,
    - 3-year floating rate bonds,
    - 4-year inflation rate indexed savings bonds,
    - 10-year inflation rate indexed saving bonds
  - b. international financial institutions loans:
    - European Investment Bank,
    - The World Bank,
    - Council of Europe Development Bank
  - c. other loans:
    - Paris Club debt (to March 2014),
    - Overseas Economic Cooperation Fund loan (to January 2015).All debt instruments are valued at face value.

### *3.1.1.2 Data sources used for the compilation of Maastricht debt*

Public Debt Department of the Ministry of Finance is responsible for compilation of Maastricht debt. All data on the State Treasury debt are available in the Public Debt Department. The data on debt of non-budgetary central government units, local government and social security funds are collected by CSO on the grounds of ordinance adopted by the Minister of Finance: on March 4, 2010 on the reporting of public sector units with regard to their financial operations. Additional data from general government entities that are not included in the public finance sector are collected by CSO (public corporations, public-private partnership on balance sheet, leasing basing on data received from public units) or MoF (funds managed by BGK). The collected data allow compilation of general government debt, as well as the debt of all three sub-sectors of general government before and after consolidation. The data are available on quarterly basis. MoF receives the data at the latest 56 days (first, second and third quarter) or 79 days (fourth quarter) after the reference period.



## EDP tables and data sources - Central Government sub-sector, EDP table 2A and 3B

Data sources used for the April notification (n) are as follows:

1. State Treasury debt: year n-1 – final data from the Ministry of Finance database,
2. Debt of other entities: year n-1- preliminary data collected by MoF and CSO.

No specific data sources or estimations are used for the April notification. The data used in the April notification are corrected in the October notification on the basis of revised information sent by general government units.

EDP tables and data sources - Local government sub-sector, EDP table 2C and 3D

### *2.2.1 Amendments to basic data sources*

All the debt data collected by CSO and MoF are valued at face value of the instrument. No adjustments are needed. Some adjustment are made for debt assumption of debt guaranteed by State Treasury and local government units and sale-lease-back operations deemed financial leasing.

#### *3.1.1.4 Consolidation of Maastricht debt*

The most significant intra-flows and positions include:

- within central government: liquid funds of central government subsector entities allocated on accounts maintained by the Ministry of Finance, T-bills and T-bonds held by Bank Guarantee Fund and funds managed by Bank Gospodarstwa Krajowego (including National Road Fund) and loans granted by State Treasury to Export Credit Insurance Corporation,
- within local government: loans granted by Regional Funds of Environmental Protection and Water Management to local government units.

The most significant inter-flows and positions include:

- liquid funds of local government and social security funds subsectors entities allocated on accounts maintained by the Ministry of Finance,
- Demographic Reserve Fund holdings of T-bills and T-bonds,
- Demographic Reserve Fund holdings of securities issued by National Road Fund,
- loans granted by State Treasury to Social Insurance Fund.
- loans granted by State Treasury to local government units.

Basic data are consistent. There is no need to amend data due to consolidation of flows used from counterpart sector.

## **3.2. Central Government sub-sector, EDP table 2A and 3B**

Information provided in this section refers to data sources available for the Central Government (S.1311), indicates what sources are used for compilation of non-financial and financial accounts and EDP tables for S.1311, and explains the adjustments made in order to comply with ESA2010.

### **3.2.1 Data sources for main Central Government unit : “The State”**

This section describes data sources available and used for compilation of national accounts and EDP tables for the main Central Government unit:

- Basic data sources
- Complementary data sources used for the purpose of special ESA2010 adjustments (e.g. accrual adjustments, recording of specific government transactions, etc.).

**Table 2 – Availability and use of basic source data for the main central government unit**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q	T+69	T+7	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
				(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

The main central government unit is the State Budget and the EU flows budget. The main source of data is based on budget reports on revenues and expenditures of central government units provided by the Ministry of Finance in the form of data base files. These files contain both the cash data and the data necessary for calculating accruals. In non-financial accounts the main part of the data from budget reports is compiled on accrual basis whereas the data concerning revenues from indirect taxes and income taxes (both personal and corporation) are compiled on the time adjusted cash basis. Accruals are calculated in accordance with strictly defined pattern e.g.: for revenues these are receivables for the given year decreased by outstanding receivables from the previous year and increased by overpayments from the previous year; for expenditures these are expenditures executed increased by the value of liabilities at the end of the given year and decreased by the value of liabilities at the end of the previous year. As for interest charges on overdue tax payments and other overdue payments,

tax and cancelled payments arrears, incomes and spending connected with guarantees, they are all compiled on pure cash basis.

### *3.2.1.1 Details of the basic data sources*

#### ***Data sources used for compilation of national accounts***

Data base files from the Ministry of Finance including figures on revenues and expenditures of central government sector units are built on the budgetary classification which consists of three levels:

titles – defining the main branches of economy

chapters – defining the more specific types of activities under each branch

paragraphs – defining detailed types of revenues and expenditures under particular titles and chapters.

This allows to distinguish between various types of transactions and units in which these transactions occur.

As mentioned above the budgetary classification on which data base files are constructed allows to distinguish which kind of transaction has taken place through analysing the activities assigned to the particular titles, chapters and paragraphs. Each paragraph from the budgetary classification is attributed to the particular ESA transaction.

Data in the database are not consolidated. By analysing various types of activities and revenues and expenditures connected with them registered under the specific titles, chapters and paragraphs in data base files we can decide which flows and stocks should be consolidated between GG subsectors.

Data in the data base is aggregated, data by units are not available to the CSO.

The names of paragraphs allows us to distinguish non-financial and financial transactions and eliminate them from the working balance. There are only a few financial transactions in the working balance. For example paragraph 70 – Repayments of loans granted to judges and prosecutors to meet their housing needs.

The structure of inflows and outflows is appropriate to distinguish different ESA categories.

Data on payables and receivables are also available under the specific titles, chapters and paragraphs which allows to make adjustments in non-financial accounts.

For some flows we are able to identify the counterpart sector, but not for all revenue and expenditure of the state budget.

#### ***Working balance (WB)***

The working balance which is reported in the first line of EDP T2 is used for compilation of B.9 and national accounts.

### *3.2.1.2 Statistical surveys used as a basic data source*

CSO for calculating P.51G – gross fixed capital formation uses data from the statistical survey F-03–Report on stocks and movement of fixed assets. It is annual, exhaustive survey for all units which belong to the public finance sector. The response rate is about 99%.

### *3.2.1.3 Supplementary data sources and analytical information*

This section describes supplementary data sources used to amend basic data sources when compiling national accounts. In order to meet ESA2010 requirements, supplementary data

could be used for e.g. for accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

Complementary information for non-financial and financial accounts not reflected in the budget reporting, needed for meeting ESA requirements is as follows:

- profit and loss statement for recording payments from profit of central bank (for distinguishing part concerning non-financial and financial transaction) obtained from the National Bank of Poland,
- additional data from MoF on interests, discounts and premiums for calculating accrual interests,
- additional data from MoF on swap transactions,
- additional information on capital injections obtained from Ministry of the Treasury, Ministry of Economy and Ministry of Infrastructure, Ministry of Foreign Affairs, Ministry of Finance,
- data on public corporations from Ministry of Treasury and data from statistical surveys for corporations for the super dividend test,
- monthly data from MoF on direct and indirect taxes for calculating taxes with one month adjustment and tax cancellations,
- data on UMTS from the Office of Electronic Communication,
- information on military equipment obtained from Ministry of Defence,
- data from Ministry of Finance about guarantees which allow to record cash calls, debt assumed by state budget, repayments by the original debtor and standardised guarantees,
- information on PPP on balance sheet,
- additional information from Krajowy Ośrodek Bilansowania i Zarządzania Emisjami (KOBIZE) about emission permits,
- additional information from European Commission and Ministry of Finance on VAT and GNI own resources,
- data from the Ministry of Finance about transfer to Social Security Funds resulting from the gap in the flow of contributions to Open Pension Funds,
- data from the Ministry of Finance about EU flows and currency rates differences,
- data from the Ministry of Finance about transfers (funds from privatization) from the State Budget to special funds.

#### *3.2.1.3.1 Supplementary data sources used for the compilation of non-financial accounts*

Above mentioned information is obtained twice a year for the purpose of EDP notification (for years reported in EDP notification). Data on monthly taxes are collected and used for compilation of quarterly accounts. All these data relate to the State Budget, which net lending/net borrowing is recorded on cash in the working balance.

All these adjustments lead to changes in B.9.

#### *3.2.1.3.2 Supplementary data sources used for the compilation of financial accounts*

See description in 3.2.1.3.1.

#### *3.2.1.4 Extra-budgetary accounts (EBA)*

Usually, not all flows of a non-financial nature are recorded in the so called budgetary accounts which enter the WB, as reported in the first line of EDP table 2. Some funds could

be put aside as reserves, special purpose funds and are booked in so called “extra-budgetary accounts” - EBA. In some cases, according to national legislation, transactions which are not scrutinized by budgetary rules can be booked in EBA and not in ordinary budgetary accounts. It is very important that all non-financial flows of the main entity, including those entering EBA, are appropriately incorporated into calculations of deficit.

In Poland there are following extra-budgetary units:

- Budget institutions,
- Executive agencies,
- Account of budgetary units abroad,
- Special purpose funds.

#### ***Non-financial flows recorded in EBA***

The working balance of extra-budgetary units is not recorded in EDP T2 in the line “Working balance in central government accounts”. The net lending/net borrowing of these units is calculated separately and recorded in EDP T2 in the line “Net borrowing (-) or net lending (+) of other central government bodies”. Data on all revenues and expenditure of extra-budgetary units are obtain from MoF in the same structure as for state budget with titles, chapters and paragraphs. It allows us to identify ESA transactions and decide which flows and stocks should be consolidated between GG subsectors.

Revenues and expenditures of these units depends on the kind of unit’s activity.

#### ***Financial flows recorded in EBA***

Financial transactions of extra-budgetary units are recorded in financial accounts and EDP T3 in the following transactions:

- F.2 (Assets)– currency and deposits for almost all extra-budgetary units,
- F.4 (Assets) – loans for some executive agencies,
- F.5 (Assets) – shares and other equities for some executive agencies,
- F.8 (assets and liabilities) – other financial assets for almost all extra – budgetary units.

Flows relating to interests are recorded in EBA and they are taken into account for calculation of deficit. Data for consolidation are available.

### **3.2.2 Data sources for other Central Government units**

This section describes data sources available and used for compilation of national accounts and EDP tables for other Central Government units (those not reported in the working balance in EDP T2A).

In Poland there are following other units in the central government subsector:

- Public universities,
- Central institutions of culture,
- Polish Academy of Science and its dependent units,
- Central health care institutions,
- Funds managed by Bank Gospodarstwa Krajowego (BGK),
- National parks,
- Other legal entities,
- Bank Guarantee Fund,
- Hospitals with status of capital companies,
- Public hospitals operating in the form of research institutes,
- Public corporations, according to ESA2010 rules,

- Public financial corporations, according to ESA2010 rules,
- Non-profit institutions.

**Table 3 – Availability and use of basic source data for other central government units:**

Available source data				Source Data Accounting	Source data used for compilation of	
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			B.9 (NFA)	B.9f (FA)
		First results	Final data			
1	2	3	4	5	7	8
		<i>T + days</i>	<i>T+months</i>			
				<b>Budget Reporting</b>		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
				(3) Current and capital revenue and expenditure and financial transactions		
A	Q	T+69	T+7	(4) Balance sheets		x
				<b>Financial Statements</b>		
				Health care institutions		
A	A	T+69	T+7	(5) Profit and loss accounts	x	
A	A	T+69	T+7	(6) Balance sheets		x
				(7) Cash flow statement		
				Polish Academy of Science		
A	A	T+69	T+7	(5) Profit and loss accounts	x	
A	A	T+69	T+7	(6) Balance sheets		x
				(7) Cash flow statement		
				Funds managed by BGK		
A	A	T+69	T+7	(5) Profit and loss accounts	x	
A	A	T+69	T+7	(6) Balance sheets		x
				(7) Cash flow statement		
				National parks		
A	A		T+6	(5) Profit and loss accounts	x	
A	A		T+6	(6) Balance sheets (partial information)		x
				(7) Cash flow statement		
				Other legal entities		
A	A	T+69	T+7	(5) Profit and loss accounts	x	
A	A	T+69	T+7	(6) Balance sheets		x
				(7) Cash flow statement		
				<b>Other Reporting</b>		
A	A	T+69	T+6	(8) Statistical surveys Public universities	x	x
A	A		T+5	Institutions of culture	x	x
A	A	T+69	T+8	Public corporations	x	x

See notes to table 2, on the used abbreviations.

### *3.2.2.1 Details of the basic data sources*

All above data relate only to central government units and it is not necessary to exclude any flows for non-financial and financial accounts.

All positions in profit and loss statements and balance sheets we classify to the particular ESA transactions. Most of positions in financial statements allow us to distinguish ESA categories, but there are some items, for which we have some problems. These are: other revenues and other expenditure from profit and loss statements, other receivables, other liabilities, prepayments and accruals from balance sheets. The outstanding amounts of assets and liabilities in balance sheets are not split enough to identify particular revenue and expenditure. There are only some items in balance sheets like: payables and liabilities for goods and services, payables and liabilities relating to taxes, subsidies, duties, social contributions and other benefits, liabilities relating to wages and salaries.

Data from budget reporting which is used for the compilation of financial accounts are sufficient to make consolidation and identify counterpart sector. There are some units (public corporations, funds managed by BGK), for which we do not have budget reporting and we use only balance sheets. Data from profit and loss statements and balance sheets are not fully adequate to make consolidation in non-financial accounts and in financial accounts. In order to make proper consolidation we compare data with budgetary reports for state budget and we directly contact entity to get more information. Information from financial statements does not identify counterpart sector. We can only assume this on the kind of unit's activity.

### *3.2.2.2 Statistical surveys used as a basic data source*

Statistical surveys used as a basic data source, concern:

- public health care institutions,
- institutions of culture,
- public universities,
- public corporations and other units that are classified to the general government sector, but do not belong to public finance sector.

The survey for public universities (F-01/s) consists of data on profit and loss statement, financial operations from balance sheet, data on additional funds and supplementary data on capital transfers and capital expenditure. This is the exhaustive survey (in 2014 there were 133 entities) and the response rate is 100%.

The survey for institutions of culture (F-02/dk) consists of data on profit and loss statement, balance sheets and additional information. This is the exhaustive survey for central and local institutions of culture. In 2014 there were 59 institutions of culture on the central level. The response rate is 93,2% and CSO does not do any imputations for missing data.

CSO gathers annual data for corporations in surveys SP and F-02 – annual reports for big and medium enterprises which consist of data on profit and loss statements, balance sheets, and additional information. These surveys are exhaustive. For April EDP notification we use also quarterly data for public corporations from F-01/I-01 survey.

CSO gathers quarterly data for all units that are classified to the general government sector, but not belong to public finance sector in RF-02 - report on liabilities and receivables. This is the exhaustive survey (in 2014 there were 27 units) and the response rate is about 99%.

CSO for calculating P.51G – gross fixed capital formation uses data from the statistical survey F-03–Report on stocks and movement of fixed assets. It is annual, exhaustive survey for all units which belong to the public finance sector. The response rate is about 99%.



### *3.2.2.3 Supplementary data sources and analytical information*

This section describes supplementary data sources which are used to amend basic data sources while compiling national accounts. In order to meet ESA2010 requirements, supplementary data could be used for, e.g., accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

For compilation of non-financial and financial accounts for other units we do not have to use supplementary information as the sources are exhaustive. We only compare data from budgetary reporting with financial statements of other units.

#### *3.2.2.3.1 Supplementary data sources used for the compilation of non-financial accounts*

**There is no need to use supplementary information.**

#### *3.2.2.3.2 Supplementary data sources used for the compilation of financial accounts*

**There is no need to use supplementary information.**

### **3.2.3 EDP table 2A**

This section provides detailed information on individual lines reported in EDP T2A.

#### *3.2.3.1 Working balance - use for the compilation of national accounts*

The working balances (working balance of the State Budget and working balance of the EU funds budget) which are reported in the first line of EDP T2 are used for compilation of B.9 and national accounts.

#### *3.2.3.2 Legal basis of the working balance*

The starting line of Table 2A corresponds to an item voted in the Parliament.

According to the law on public finances dated 27 August 2009, since 2010 we have two elements of the working balance: working balance of the State Budget and working balance of the EU funds budget. For parliamentary voting both budgets are added up.

Figures mentioned above, are audited by the Supreme Audit Office, which in accordance with art.204 of the Polish Constitution, shall submit to the Parliament an analysis of the execution of the State Budget. On the basis of art.182. 2 of the public finance act, the Council of Ministers shall submit to the Parliament and to the Supreme Audit Office, with the deadline of May 31 of the following year, the annual report on the execution of the budget law. Control of budget execution is carried out in accordance with the Law on the Supreme Audit Office

#### *3.2.3.3 Coverage of units in the working balance*

Two adjustment lines due to sector delimitation appear in EDP T2. The purpose of the first adjustment is to exclude flows relating to units which do not belong to the government sector (or to the particular subsector) according to ESA2010 definition. The second adjustment refers to B.9 of other units which are classified within the particular government subsector, but related inflows/outflows are not included in the working balance.

#### *3.2.2.3.1 Units to be classified outside the subsector, but reported in the WB*

There are no units classified outside the central government sector reported in the working balance.

#### *3.2.2.3.2 Units to be classified inside the subsector, but not reported in the WB*

Only state budget (central government budgetary units) is reported in the line “working balance in central government accounts”. All remaining units are reported in the EDP table 2 in line “net borrowing (-) or net lending (+) of other central government bodies” (See annex I containing a list of units classified within the General Government sector). B.9 of this units is calculated on accrual basis. Impact of methodological imputations/reclassifications relating to these units is reflected in their B.9. All non-financial transactions concerning revenues and expenditure are available for individual units. This is the same case for financial accounts.

#### *3.2.3.4 Accounting basis of the working balance*

The working balance is on the pure cash basis. Revenues and expenditure in the working balance not include any cash flows which occur in previous periods. There are some cash flows related to previous periods, which are eliminated in other accounts receivable and payable.

#### *3.2.3.4.1 Accrual adjustment relating to interest D.41, as reported in EDP T2*

All interest of the state budget is registered in the working balance on a cash basis. Data concerning difference between interest paid (+) and interest accrued (-)(EDP D.41) is obtained from the Ministry of Finance. The calculation of the servicing costs of the Treasury securities is based on a security-by-security database. Using this information, accrual adjustments are made.

Under the line Difference between interest paid and accrued there are adjustments in order to record accrual interests, which relate to loans and securities other than shares. There are accruals for interests, discounts, premiums.

Adjustments for interest revenue using transmission algorithm from cash to accrual (Claims from year n - Total outstanding claims from year n-1 + Overpayments from year n-1) are recorded in other accounts receivable.

#### *3.2.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2*

Under other accounts receivable/payable there are data from public accounts :

- increase/decrease of claims/liabilities from budgetary reporting,
- cash/accrual adjustments for taxes,
- adjustment for military equipment,
- adjustment for the UE flows,
- data on UMTS.

There is no any replacement of cash flow by accrual one. Accrual adjustment in EDP Table 2 are fully consistent with F.8 reported in Table 3.

#### *3.2.3.4.3 Other accrual adjustments in EDP T2*

All accrual adjustments are described above.

### *3.2.3.5 Completeness of non-financial flows covered in the working balance*

Under the adjustment “ Non-financial transaction not included in working balance” there are recorded:

- transfer to Social Security Funds resulting from the gap in the flow of contributions to Open Pension Funds. Because of introduction of pension reform in 1999, the Social Insurance Fund has to transfer a part of its social contribution receipts to the Open Pension Funds. The imbalance of Social Insurance Fund is smoothed by a transfer of money from the government. Until 2003 this transfer was treated as government expenditure in the budgetary reporting. Since 2004 this transfer has not been recorded as government expenditure, but was removed below the line, as a financial transaction. Consequently, this figure is not included in the starting line of central government and therefore a specific adjustment is needed,
- PPPs on general government balance,
- imputed transaction with health care institutions, From Ministry of Health we received information that state budget purchase fixed assets and then transfer them to health care institutions,
- imputed transaction concerning privatisation receipts transferred to funds. The transfer of privatisation receipt is not recorded as expenditure in the public accounts. We impute it as expenditure of the State Budget and record the revenue in special purpose funds in order to ensure consistency between non-financial and financial accounts,
- transfer to Industrial Development Agency JSC (ARP S.A.) - when the ARP was classified in S12 any transfers from the S13 to the agency were recorded as capital injections with the impact on government B.9. After reclassification of ARP to S13, those capital injections are still expenditures but they are consolidated. However, injections granted by the ARP to public corporations classified outside the State Budget are analysed by CSO on case by case basis in accordance with the MGDD rules and recorded as expenditures with the impact on the B.9 or as financial transactions.

### *3.2.3.6 Financial transactions included in the working balance*

Financial transactions that are included in the working balance of the State Budget and are excluded in EDP Table 2 are:

- Loans granted (+),
- Loan, repayments (-),
- Equities, acquisition (+),
- Equities, sales (-),
- Other financial transactions (+/-):
  - payments from profit of central bank treated as a financial transaction and superdividends compiled on the basis of data on public corporations from Ministry of Treasury and data from statistical surveys for corporations
  - central government repayments of loans guaranteed, which are assumed by government,
  - disposal of property rights,
  - reimbursements concerning settlements with the EU.

### 3.2.3.7 Other adjustments reported in EDP T2

Other adjustments relate to the transactions, which are not recorded in the working balance of the State Budget. These are:

- capital injections recorded as capital transfer (not included in the working balance) compiled on the basis of data obtained from Ministry of the Treasury, Ministry of Economy and Ministry of Infrastructure, Ministry of Foreign Affairs, Ministry of Finance,
- debt cancellations obtained from Ministry of Finance,
- tax law cancellations obtained from Ministry of Finance
- .

### 3.2.3.8 Net lending/ net borrowing of central government

Net lending/net borrowing of main entity, reported in the last line in EDP T2 is derived from the same source data used when calculating the WB.

## 3.2.4 EDP table 3B

### 3.2.4.1 Transactions in financial assets and liabilities

Financial accounts are used for compilation of EDP T3.

**Table 4. Data used for compilation of transactions and of stocks of financial assets and liabilities**

Source Data	Assets							Liabilities						
	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	<b>Calculation of transactions</b>													
Transaction data ( integrated in public accounts)	X	X	X	X		X	X				-	X	X	X
Other transaction data											-			
Stock data	X	X	X		X	X	X	X	X	X	-	X		X
	<b>Calculation of stocks</b>													
Transaction data				X							-		X	
Stock data	X	X	X		X	X	X	X	X	X	-	X		X

The main data source is budgetary reporting, for which statements of central budgetary units are collected and aggregated by the Ministry of Finance and then re-sent to CSO (in the form of detailed electronic database and the official document submitted to the Polish Parliament – Annual report on budget realisation). The basic data are collected and re-sent by the Ministry of Finance to CSO and concern the following units:

## EDP tables and data sources - Local government sub-sector, EDP table 2C and 3D

- a) central government budgetary units
- b) extra-budgetary units – budget institutions, executive agencies,
- c) special purpose funds,
- d) agencies,
- e) agricultural advisory units,
- f) budget institutions,
- g) legal units.

The supplementary data sources are balance sheets, profit and loss accounts for the following institutions:

- agencies,
- institutions of culture (statistical surveys coordinated by CSO),
- public universities (statistical surveys coordinated by CSO),
- The Polish Academy of Science,
- The National Road Fund, The Railway Fund, Thermomodernization Fund, Technology Credit Fund, Fund for Inland Waterway Transport, Student Loan and Credit Fund, Zone Fund, National Capital Fund, The Subsidy Fund,
- -National Fund for Environmental Protection and Water Management ,
- Data on central health care institutions (balance sheets and profit and loss accounts) are collected by the Ministry of Health and then re-sent to CSO in aggregated form,
- Bank Guarantee Fund,
- Industrial Development Agency JSC,
- Export Credit Insurance Corporation (KUKI),
- hospitals with status of capital companies, research institutes, Polish radio, Spółka Restrukturyzacji Kopalń, PKP Polskie Linie Kolejowe S.A., Kopalnia Soli “Wieliczka” S.A. (balance sheets from surveys SP and F-02 – annual reports for big and medium enterprises which consist of data on profit and loss statements, balance sheets, and additional information).
- the complementary data sources are also Rb-Z quarterly reports on liabilities and Rb-N quarterly reports on receivables as well as RF-02 report on the status of liabilities and receivables for all units that are classified to the general government sector, but not belong to public finance sector.

CSO uses direct data on transactions in case of data concerning State Budget (assets: F.2,3,4,5,8 and liabilities F.8).

CSO compares results from basic data sources with other GG subsectors data and amends data using other GG subsectors information.

CSO compares direct data on transactions with changes in stocks. Differences are registered in other volume of assets.

### **Regular amendments to data sources:**

- cash/accrual adjustments for taxes,
- adjustment for the UE flows.
- capital injections recorded as financial transactions,
- tax law cancellations,
- adjustment for military equipment,
- superdividend including transfers between government and National Bank of Poland,

- adjustments for interest revenue using transmission algorithm from cash to accrual (Claims from year n - Total outstanding claims from year n-1 + Overpayments from year n-1) are recorded in other accounts receivable.

Due to unavailability of data in April, estimation methods must be used for the following institutions: public universities, public health care institutions, institutions of culture and Polish Academy of Science. Estimations are based on an analysis of a long time series of historical data and take into account the trends on the market during the given year. Their importance in the central government sub-sector is insignificant.

#### *3.2.4.2 Other stock-flow adjustments*

Under "Issuance above/below nominal value" is recorded the difference between the discount from all sold in year n government bills and bonds issued on domestic and foreign market and the discount paid/calculated in year n for government bills and bonds issued on domestic and foreign market. Additionally premium accrued from domestic and foreign debt is recorded. Data recorded in position "Issuance above/below nominal value" come from the Ministry of Finance (the debt service costs).

Under "Difference between interest accrued and paid" is recorded: interests paid/calculated for foreign debt and government bonds issued on domestic market. Under this position is recorded interest revenues from bonds issued on domestic and foreign market, interests on deposits on the account of the Minister of Finance. This position includes also the increase in debt due to indexation of bonds.

Under "Redemptions/repurchase of debt above/below nominal value" is recorded the difference between market and nominal value of State Treasury debt securities, which were taken over from Open Pension Funds by government.

Under "Appreciation/depreciation of foreign-currency debt" is recorded change in debt caused by FX differences. Data recorded in this position come from the Ministry of Finance (the debt service costs).

In the item "Changes in sector classifications" is recorded the correction of debt for 2013 due to the reclassification into S.13 from S.11 of the PKP Polskie Linie Kolejowe S.A. in 2014.

Under "Other volume changes in financial liabilities" is recorded the redemption of State Treasury debt securities at market value.

#### *3.2.4.3 Balancing of non-financial and financial accounts, transactions in F.8*

This section aims at describing of techniques and methods for balancing non-financial and financial accounts applied generally for the whole general government sector.

#### ***Allocation of discrepancy B.9 vs B.9f***

CSO do not allocate the observed differences in B.9f and B.9 at the level of source data.

#### ***Changes to intermediate data***

**CSO does not change data and does not allocate differences.**

#### ***Complementary elements on stocks/***

**Not applicable for Poland**

### Accruals

The observed discrepancy stems mainly from time of recording issues, and it is the same issue with all three sub sectors of general government.

### Ex-post monitoring

If discrepancies are high, especially compared to previous years, data sources are examined once again – once again. In case of big unexplained changes, we contact with units responsible for financial reports.

### 3.3. State government sub-sector, EDP table 2B and 3C

Not applicable for Poland.

### 3.4. Local government sub-sector, EDP table 2C and 3D

#### 3.5.1 Data sources for Local Government main unit: local government (local government budgetary units)

Table x – Availability and use of basic source data for main local government units

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q	T+55	T+7	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
				(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			


*Accounting basis (column 1): C- cash, A- accrual, M-mixed*  
*Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.*  
*Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.*  
*Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.*  
*Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.*

The main source of data is based on budget reports on revenues and expenditures of local government units provided by the Ministry of Finance in the form of data base files. These files contain both the cash data and the data necessary for calculating accruals. In non-financial accounts the main part of the data from budget reports is compiled on accrual basis whereas the data concerning revenues from income taxes (both personal and corporation) are compiled on the time adjusted cash basis. Accruals are calculated in accordance with strictly defined pattern e.g.: for revenues these are receivables for the given year decreased by outstanding receivables from the previous year and increased by overpayments from the previous year; for expenditures these are expenditures executed minus expenditures which didn't expire within the budget year for the given year plus expenditures which didn't expire within the budget year from the previous year plus the value of liabilities at the end of the given year and minus the value of liabilities at the end of the previous year. As for the interest charges on overdue tax payments and other overdue payments, tax and cancelled payments arrears, incomes and spending connected with guarantees, expenditures on purchasing stocks and shares as well as contribution of assets to commercial law partnerships and housing associations, they are all compiled on pure cash basis. Information on local government subsector is available by unit and by category of transaction/instrument.

**3.4.1.1 Details of the basic data sources**

Data base files from the Ministry of Finance including figures on revenues and expenditures of local government subsector units are built on the budgetary classification which consists of three levels:  
 titles – defining the main branches of economy,  
 chapters – defining the more specific types of activities under each branch,  
 paragraphs – defining detailed types of revenues and expenditures under particular titles and chapters. This allows to distinguish between various types of transactions and units in which these transactions occur. Additionally there is possibility of identifying the particular units by REGON number which is unique for each unit.

As mentioned above the budgetary classification on which data base files are constructed allows to distinguish which kind of transaction has taken place through analysing the activities assigned to the particular titles, chapters and paragraphs. Each paragraph from the budgetary classification is attributed to the particular ESA transaction.

Data in the database are not consolidated. By analysing various types of activities and revenues and expenditures connected with them registered under the specific titles, chapters and paragraphs in data base files we can decide which flows and stocks should be consolidated between GG subsectors.



The names of paragraphs allow us to distinguish non-financial and financial transactions and eliminate them from the working balance. There are only few financial transactions in the working balance. For example paragraph 498 - settlement with the European Commission. The structure of inflows and outflows is appropriate to distinguish different ESA categories. Data on payables and receivables are also available under the specific titles, chapters and paragraphs what allows to make adjustments in non-financial accounts. For some flows we are able to identify the counterpart sector, but not for all revenue and expenditure of the local budget.

*3.4.1.2 Statistical surveys used as a basic data source*

CSO conducts statistical annual survey SG-01 on fixed assets for communities (gmina), which is used for calculating P.51G – gross fixed capital formation. This is an exhaustive survey. The response rate is 100%.

There are also used data from the statistical survey F-03–Report on stocks and movement of fixed assets. It is annual, exhaustive survey for all units which belong to the public finance sector. The response rate is about 99%.

*3.4.1.3 Supplementary data sources and analytical information*

There are no supplementary data sources for local government.

*3.4.1.3.1 Supplementary data sources used for the compilation of non-financial accounts*

**There is no need to use supplementary information.**

*3.4.1.3.2 Supplementary data sources used for the compilation of financial accounts*

**There is no need to use supplementary information.**

**3.4.2 Data sources for other Local Government units**

In Poland there are following other units in the local government subsector:

- Extra- budgetary units: budgetary establishments, own income,
- Local institutions of culture,
- Local health care institutions,
- Local agricultural advisory units,
- Special purpose funds,
- Road Traffic Centres,
- Public corporations that are classified to the general government sector,
- Local hospitals with status of capital companies,
- Public schools transferred to be operated by individuals or legal persons who are not local governments,
- Non-profit institutions.

**Table x – Availability and use of basic source data for other local government unit**

Available source data	Source Data Accounting	Source data used for compilation of
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EDP tables and data sources - Local government sub-sector, EDP table 2C and 3D

Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q	T+69	T+7	(3) Current and capital revenue and expenditure and financial transactions for extra-budgetary units	x	x	x
				(4) Balance sheets – only financial transactions			
				<b>Financial Statements</b>			
				Local health care institutions			
A	A	T+69	T+7	(5) Profit and loss accounts	x	x	
A	A	T+69	T+7	(6) Balance sheets			x
				(7) Cash flow statement			
				Local agricultural advisory units			
A	A	T+69	T+7	(5) Profit and loss accounts	x	x	
A	A	T+69	T+7	(6) Balance sheets			x
				(7) Cash flow statement			
				Special purpose funds			
A	A	T+69	T+7	(5) Profit and loss accounts	x	x	
A	A	T+69	T+7	(6) Balance sheets			x
				(7) Cash flow statement			
				Road Traffic Centres			
A	A	T+69	T+7	(5) Profit and loss accounts	x	x	
A	A	T+69	T+7	(6) Balance sheets			x
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
A	A		T+5	Institutions of culture	x	x	x
A	Q	T+69	T+8	Public enterprises	x	x	x
				(9) Other:			

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

### 3.4.2.1 Details of the basic data sources

All above data relate only to local government units and it is not necessary to exclude any flows for non-financial and financial accounts.

All positions in profit and loss statements and balance sheets we classify to the particular ESA transactions. Most of positions in financial statements allow us to distinguish ESA categories, but there are some items, for which we have some problems. These are: other revenues and other expenditure from profit and loss statements, other receivables, other liabilities, prepayments and accruals from balance sheets. The outstanding amounts of assets and liabilities in balance sheets are not split enough to identify particular revenue and expenditure. There are only some items in balance sheets like: payables and liabilities for goods and services, payables and liabilities relating to taxes, subsidies, duties, social contributions and other benefits, liabilities relating to wages and salaries.

Data from budget reporting which is used for the compilation of financial accounts are sufficient to make consolidation and identify counterpart sector. There are some units (public corporations), for which we do not have budget reporting and we use only balance sheets. Data from profit and loss statements and balance sheets are not fully adequate to make consolidation in non-financial accounts and in financial accounts. In order to make proper consolidation we compare data with budgetary reports for local government and we contact units to get more information. Information from financial statements does not identify counterpart sector. We can only assume this on the basis of the kind of unit's activity.

#### *3.4.2.2 Statistical surveys used as a basic data source*

Statistical survey used as a basic data source coordinated by CSO concerns:

- institutions of culture,
- public corporations that are classified to the general government sector, but do not belong to public finance sector,
- public schools transferred to be operated by individuals or legal persons who are not local governments.

The survey for institutions of culture (F-02/dk) consist of data on profit and loss statement, balance sheets and additional information. This is exhaustive survey for central and local institutions of culture. In 2014 there were 4566 institutions of culture on the local level. The response rate is 98,7% and CSO does not do any imputations for missing data.

CSO gathers annual data for corporations in surveys SP and F-02 – annual reports for big and medium enterprises which consist of data on profit and loss statements, balance sheets and additional information. These surveys are exhaustive. For April EDP notification we use also quarterly data for public corporations from F-01/I-01 survey.

The survey for public schools transferred to be operated by individuals or legal persons who are not local governments (F01/o – Report on revenues, expenditure and financial results schools and other educational institutions) consists of data on profit and loss statement, balance sheets.

CSO gathers quarterly data for all units that are classified to the general government sector but do not belong to public finance sector in RF-02 - report on the status of liabilities and receivables. This is the exhaustive survey (in 2014 there were 160 units) and the response rate is about 98%.

CSO for calculating P.51G – gross fixed capital formation uses data from the statistical surveys: F-03 – Report on stocks and movement of fixed assets and also SG-01 - Municipality statistics – part 4 Fixed assets. These surveys are annual and exhaustive for all units which belong to the public finance sector. The response rate for F-03 is about 99% and for SG-01 - 100%.

### *3.4.2.3 Supplementary data sources and analytical information*

For compilation of non-financial and financial accounts for other units we do not use supplementary information. We only compare data from budgetary reporting with financial statements of other units. Information on leaseback operations and PPPs, is verified by analysing copies of individual sale and leaseback contracts received on request from the local government units.

### **3.4.3 EDP table 2C**

#### *3.4.3.1 Working balance - use for the compilation of national accounts*

The working balance which is reported in the first line of EDP 2C is used for compilation of B.9 in national accounts.

#### *3.4.3.2 Legal basis of the working balance*

The starting line of Table 2C corresponds to the amount included in the document “Execution of the State Budget”. This document is submitted by the Ministry of Finance to the Parliament.

On the basis of art.182. 2 of the public finance act, the Council of Ministers shall submit to the Parliament and the Supreme Audit Office, with the deadline of May 31 of the following year, the annual report on the execution of the budget law including aggregate information of execution on local government budgetary units.

#### *3.4.3.3 Coverage of units in the working balance*

##### *3.4.3.3.1 Units to be classified outside the subsector, but reported in the WB*

There are no units classified outside local government sector reported in the working balance.

##### *3.4.3.3.2 Units to be classified inside the subsector, but not reported in the WB*

Only local government (local government budgetary units) is reported in the line “working balance in local government accounts”. All remaining units are reported in the EDP table 2C in the line “net borrowing (-) or net lending (+) of other local government bodies”. B.9 of this units is calculated on accrual basis. Impact of methodological imputations/reclassifications relating to these units is reflected in their B.9. All non-financial transactions concerning revenues and expenditure are available for individual units. The same applies for financial accounts.

#### *3.4.3.4 Accounting basis of the working balance*

The working balance is on pure cash basis. Revenues and expenditure in the working balance do not include any cash flows which occur in previous periods. There are some cash flows related to previous periods, which are eliminated in other accounts receivable and payable.

##### *3.4.3.4.1 Accrual adjustments relating to interest D.41, as reported in EDP T2C*

For local government budgetary units there are cash data for interest from budgetary reporting and accruals are calculated using the transmission algorithm from cash to accrual for

EDP tables and data sources - Local government sub-sector, EDP table 2C and 3D

expenditure interests (Claims from year n - Total outstanding claims from year n-1 + Overpayments from year n-1).

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

#### *3.4.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2C*

Under other accounts receivable/payable there are data from public accounts :

- increase of claims/liabilities from budgetary reporting,
- cash/accrual adjustments for taxes,
- adjustment for UE flows,
- adjustment for revenues interest, calculated using the transmission algorithm from cash to accrual (Claims from year n - Total outstanding claims from year n-1 + Overpayments from year n-1).

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#### *3.4.3.4.3 Other accrual adjustments in EDP T2C*

There are no other accrual adjustments in EDP T2C.

#### *3.4.3.5 Completeness of non-financial flows covered in the working balance*

Under position “Non-financial transactions not included in the working balance” we record undertakings which should be recorded on balance sheet.

#### *3.4.3.6 Financial transactions included in the working balance*

Transactions that are included in the public accounts of local government and are excluded in EDP table 2C concern:

- the settlement with the European Commission,
- revenue from the sale of property rights,
- local government repayments of loans guaranteed, which are assumed by government,
- leaseback operations,
- unused financial resources.

#### *3.4.3.7 Other adjustments reported in EDP T2C*

Other adjustments relate to the transactions, which are not recorded in the working balance of the local government. This is:

- capital injections recorded as capital transfer (not included in the working balance) compiled on the basis of data obtained from Ministry of Economy.

#### *3.4.3.8 Net lending/net borrowing of local government*

Net lending/net borrowing of local government, reported in the last line in EDP T2C is derived from the same source data which are used when calculating the WB.

### **3.4.4 EDP table 3D**

#### *3.4.4.1 Transactions in financial assets and liabilities*

**Table x. Data used for compilation of transactions and of stocks of financial assets and liabilities**

Source Data	Assets							Liabilities						
	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	<b>Calculation of transactions</b>													
<b>Transaction data</b> (integrated in public accounts)			X	X			X				-	-		X
<b>Other transaction data</b>											-	-		
<b>Stock data</b>	X	X	X		X	X	X	X	X	X	-	-	X	X
	<b>Calculation of stocks</b>													
<b>Transaction data</b>				X			X				-	-		X
<b>Stock data</b>	X	X	X	X	X	X	X	X	X	X	-	-	X	X

The basic data source is budgetary reporting, for which statements of local government units, extra-budgetary units (budgetary establishments) are collected and aggregated by the Ministry of Finance and then re-sent to CSO (in the form of a detailed electronic database and the official document submitted to the Polish Parliament – Annual report on budgetary realisation).

Complementary information not reflected in the budgetary reporting is obtained for the following units: institutions of culture, public enterprises, public health care institutions. The basic data concerning local institutions of culture and public enterprises (balance sheets, profit and loss accounts) are collected and aggregated by CSO (statistical surveys). Data on local health care institutions (balance sheets and profit and loss accounts) are collected by the Ministry of Health and then re-sent to CSO in aggregated form. Data on Local Fund for Environmental Protection and Water Management are collected by the Ministry of the Environment and then re-sent to CSO in aggregated form. The basic data requested directly by CSO concern balance sheets, profit and loss accounts for the following institutions: Przewozy Regionalne sp. z o.o., Road Traffic Centres. Data on local agricultural advisory units are collected and aggregated by the Ministry of Finance and then re-sent to CSO. Data on local hospitals with status of capital companies are from balance sheets from surveys SP and F-02 – annual reports for big and medium enterprises which consist of data on profit and loss statements, balance sheets, and additional information. Data for public schools transferred to be operated by individuals or legal persons who are not local governments are from the F01/o – Report on revenues, expenditure and financial results schools and other educational institutions. The complementary data sources are Rb-Z quarterly reports on liabilities and Rb-N quarterly reports on receivables as well as RF-02 report on the status of liabilities and receivables for all units that are classified to the general government sector, but do not belong to public finance sector.

CSO uses direct data on transactions in case of data concerning local government units (assets: F.4,5,8 and liabilities F.8).

CSO compares direct data on transactions with change in stocks, differences are registered in other volume of assets.

Regular amendments to data sources:

- cash/accrual adjustments for taxes,
- adjustment for UE flows,
- capital injections recorded as financial transactions,
- adjustment for revenues interest, calculated using the transmission algorithm from cash to accrual (Claims from year n - Total outstanding claims from year n-1 + Overpayments from year n-1).

Due to unavailability of data in April, estimation methods must be used for the following institutions: local health care institutions, institutions of culture and local agricultural advisory units. Estimations are based on analysis of a long time series of historical data and take into account trends on the market during the year. Their importance in the local government sub-sector is insignificant.

#### *3.4.4.2 Other stock-flow adjustments*

Under “Difference between interest accrued and paid” are recorded interest paragraphs of the budgetary reporting from MoF using algorithm:

Claims from year n - Total outstanding claims from year n-1 + Overpayments from year n-1.

Under “Appreciation/depreciation of foreign-currency debt” is recorded change in debt caused by FX differences. Data recorded in this position come from the Ministry of Finance (the debt service costs).

#### 4.1 Social security sub-sector, EDP table 2D and 3E

##### 3.5.1 Data sources for Social Security Funds main unit: Social Insurance Institution and its managed funds, Board of Social Insurance for Farmers and its managed funds, National Health Fund, Labour Fund.

**Table x – Availability and use of basic source data for social security funds**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
A	Q	T+69	T+7	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
				(4) Balance sheets			
				<b>Financial Statements</b>			
A	A		T+7	(5) Profit and loss accounts	x	x	
A	A		T+7	(6) Balance sheets			x
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

In the working balance reported in the EDP Table 2D in the line working balance in the social security accounts there is accrual working balance of all units in social security sub-sector.

##### 3.5.1.1 Details of the basic data sources

The main source of data is based on budget reports for:

- Funds managed by Social Insurance Institution (excluding Demographic Reserve Fund),



- Funds managed by Board of Social Insurance for Farmers (excluding Contribution Fund and Motivation Fund),
- Labour Fund.

Data from budget reports are on accrual basis and are available separately for each of unit. CSO receives data in the data base files from the Ministry of Finance including figures on revenues and expenditures of social security funds. They are built on the budgetary classification which consists of three levels:

titles – defining the main branches of economy

chapters – defining the more specific types of activities under each branch

paragraphs – defining detailed types of revenues and expenditures under particular titles and chapters. This allows to distinguish between various types of transactions in which these transactions occur.

As mentioned above the budgetary classification on which data base files are constructed allows to distinguish which kind of transaction has taken place through analysing the activities assigned to the particular titles, chapters and paragraphs. Each paragraph from the budgetary classification is attributed to the particular ESA transaction.

The structure of inflows and outflows is appropriate to distinguish different ESA categories.

Data for Demographic Reserve Fund, Contribution Fund and Motivation Fund CSO receives from Ministry of Finance. They are on accrual basis. All positions in finance statements we classify to the particular ESA transactions.

For National Health Fund CSO receives data directly from NHF. These are profit and loss statements and balance sheets.

Net lending/net borrowing of social security subsector, reported in the last line in EDP T2C is derived from the same sources data used when calculating the WB.

#### *3.5.1.2 Statistical surveys used as a basic data source*

CSO for calculating P.51G – gross fixed capital formation uses data from the statistical survey F-03–Report on stocks and movement of fixed assets. It is annual, exhaustive survey for all units which belong to the public finance sector. The response rate is about 99%.

#### *3.5.1.3 Supplementary data sources and analytical information*

In case of one-off transaction we obtain additional information (for example pension reform).

##### *3.5.1.3.1 Supplementary data sources used for the compilation of non-financial accounts*

**There is no need to use supplementary information.**

##### *3.5.1.3.2 Supplementary data sources used for the compilation of financial accounts*

**There is no need to use supplementary information.**

### **3.5.2 Data sources for other Social Security units**

There are no other social security units.

**Table x – Availability and use of basic source data for other social security units**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

### 3.5.2.1 Details of the basic data sources

Not applicable for Poland.

### 3.5.2.2 Statistical surveys used as a basic data source

Not applicable for Poland.

### 3.5.2.3 Supplementary data sources and analytical information

Not applicable for Poland.

#### 3.5.2.4 *Extra-budgetary accounts*

This section provides information on the so called "extra-budgetary accounts" of the main local government entities, i.e. about flows, which are not recorded in budgetary accounts which enter the WB, as reported in the first line of EDP table 2.

#### *Non-financial flows recorded in EBA*

Not applicable for Poland.

#### *Financial flows recorded in EBA*

Not applicable for Poland.

### 3.5.3 EDP table 2D

#### 3.5.3.1 *Working balance - use for national accounts compilation*

The working balance which is reported in the first line of EDP T2D is used for compilation of B.9 and national accounts.

#### 3.5.3.2 *Legal basis of the working balance*

The working balance comes from financial statements which are submitted to the Parliament, with the deadline of May 31 of the following year. They are included in the annual report on the execution of the budget law.

#### 3.5.3.3 *Coverage of units in the working balance*

All social security units are included in the working balance.

##### 3.5.3.3.1 *Units to be classified outside the subsector, but reported in the WB*

There are no social security units included in the working balance

##### 3.5.3.3.2 *Units to be classified inside the subsector, but not reported in the WB*

See description in 3.5.3.3.

#### 3.5.3.4 *Accounting basis of the working balance*

The working balance is on accrual basis.

##### 3.5.3.4.1 *Accrual adjustments relating to interest D.41, as reported in EP T2D*

All transactions are calculated on accrual basis and there is no need to do any adjustments.

EDP tables and data sources - Social security sub-sector, EDP table 2D and 3E

3.5.3.4.2 *Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2D*

All transactions are calculated on **accrual** basis and there is no need to do any adjustments.

3.5.3.4.3 *Other accrual adjustments in EDP T2D*

All transactions are calculated on **accrual** basis and there is no need to do any adjustments.

3.5.3.5 *Completeness of non-financial flows covered in the working balance*

In the working balance there are included all non-financial flows.

3.5.3.6 *Financial transactions included in the working balance*

In the working balance there is no financial transaction and there is no need to do any adjustments.

3.5.3.7 *Other adjustments reported in EDP T2D*

Other adjustments include:

- uncollectible social contributions calculated on the basis of the non-collection coefficient. This rate is elaborated in the following formula:  $100\% - \text{cash receipts}/(\text{amounts from assessments and declarations} - \text{law cancellations}) * 100$ ,
- social contributions law cancellation. Amounts of contribution law cancellations are recorded as payable capital transfers with impact on deficit level.

3.5.3.8 *Net lending/net borrowing of social security funds*

Net lending/net borrowing of social security funds, reported in the last line in EDP T2D is derived from the same sources data used when calculating the WB.

**3.5.4 EDP table 3E**

3.5.4.1 *Transactions in financial assets and liabilities*

**Table x. Data used for compilation of transactions and of stocks of financial assets and liabilities**

	Assets							Liabilities						
Source Data	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	<b>Calculation of transactions</b>													
<b>Transaction data (integrated in public accounts)</b>			X	X							-	-		
<b>Other transaction data</b>											-	-		

<b>Stock data</b>	X	X	X	X	X	X	X	X	X	X	-	-	X	X
	<b>Calculation of stocks</b>													
<b>Transaction data</b>											-	-		
<b>Stock data</b>	X	X	X	X	X	X	X	X	X	X	-	-	X	X

The basic data source is budget reporting, for which statements of special purpose funds (funds managed by Board of Social Insurance for Farmers, funds managed by Social Insurance Institution, Labour Fund) are collected and aggregated by the Ministry of Finance and then re-sent to CSO (in the form of a detailed electronic database and the official document submitted to the Polish Parliament – Annual report on budgetary realisation).

The complementary data sources are Rb-Z quarterly reports on liabilities and Rb-N quarterly reports on receivables. Additionally CSO receives data for: Social Insurance Institution and its managed funds – directly from Social Insurance Institution, National Health Fund - directly from National Health Fund.

CSO does not use direct data on transactions.

CSO compares results from basic data sources with other GG subsectors data and amends data using other GG subsectors information.

CSO compares direct data on transactions with change in stocks, differences are registered in other volume of assets.

**Regular amendments to data sources:** uncollectible social contributions and social contributions law cancellation.

#### 3.5.4.2 Other stock-flow adjustments

Not applicable

### 5.1 Link between EDP T2 and related EDP T3

The monitoring of the link between the individual adjustments in EDP T2 and the related transactions reported in EDP T3 is important for the assessment of GFS data quality.

It is not expected that the adjustments from EDP T2 would be clearly identified in EDT3.

- First, this is due to different coverage of units, because the adjustments in EDP T2 should refer only to the main entity reported in the WB, while transactions in EDP T3 reflect the whole subsector.
- Second, due to the accounting basis and coverage of transactions reported in the WB. For the former, if the WB is on accrual basis, theoretically there is no need for adjustments in other accounts receivable/payable F.8 in EDP T2, but it should be ensured that the accrual recordings in non-financial accounts are linked to transactions in F.8 reported in EDP T3 and in FA. For the latter (coverage of transactions), the WB balance as reported in EDP T2 typically does not cover all financial flows, since some are booked in the so called extra-budgetary accounts of the main entity.
- Third, adjustments/transactions reported in EDP T2A are non-consolidated, since they refer to the main entity only, as recorded in the working balance (e.g. loans, other accounts receivable/payable, etc.), while financial transactions recorded in EDP T3 refer to the whole subsector and they are consolidated.

#### 4. Revision policy used for annual GFS

As far as specific imputations are concerned, such as debt cancellation, debt assumption etc., which are reported in EDP T2, these should be reflected also in financial accounts and EDP T3 under the related financial instrument.

Therefore, in order to ensure consistency between non-financial and financial accounts and quality of GFS data, statisticians are to be able to explain and to quantify a link between flows reported in EDP T2 and EDP T3.

##### **3.6.1 Coverage of units**

There is the same coverage of units reported in EDP table 2 and 3 (the same register of units is used for non-financial and financial accounts compilation and for EDP table 2 and 3).

##### **3.6.2 Financial transactions**

Financial transactions which are excluded from the working balance as reported in EDP table 2 are included in the same amounts in EDP table 3 in financial accounts.

For the central sub-sector these are:

- loans granted (+) – F.4,
  - loan, repayments (-) F.4,
  - equities, acquisition (+) – F.5,
  - equities, sales (-) – F.5,
  - other financial transactions (+/-)- payments from profit of central bank treated as a financial transaction and superdividends compiled on the basis of data on public corporations from Ministry of Treasury and data from statistical surveys for corporations – F.5.
  - central government repayments of loans guaranteed, which are assumed by government.

For the local sub-sector these are:

- the settlement with the European Commission – F.8,
- settlement of unused funds within expenses that do not expire at the end of the financial year-F.8,
- revenue from the sale of property rights,
- settlement relating to foreign exchange,
- local government repayments of loans guaranteed, which are assumed by government.

##### **3.6.3 Adjustments for accrued interest D.41**

The adjustment in EDP Table 2 for accrued interests refers to interest expenditure as well as interest revenue.

##### **3.6.4 Other accounts receivable/payable F.8**

There are differences in accrual adjustments reported in EDP T2 and T3 under other accounts receivable. In EDP tables 2 there are recorded other accounts receivable/payable which refer only to the working balance of the State Budget and local government budget. These working balances are on cash basis and there is needed to adjust them to accrual. For other units their net lending/net borrowing is on accrual basis thus no adjustments are needed.

#### 4. Revision policy used for annual GFS

In EDP tables 3 we record the same accounts receivable/payable referred to the State Budget and local government budget as in the EDP tables 2. Moreover, there are additional amounts related to:

- other receivables/payables for other units,
- additional receivables on UE flows. These UE flows are not recorded in Table 2, neither in the working balance nor in any adjustment. They are recorded in public accounts only on the foreign exchange account that is why CSO treats them purely as financial transaction. The same amount is recorded under F.2 with the opposite sign therefore these transactions do not have impact on B.9.
- for local sub-sector - financial transactions included in the working balance of local government,
- adjustments for social contributions.

#### 3.6.5 Other adjustments/imputations

Under the other adjustments in EDP Table 2 A there are recorded following transactions:

- capital injections recorded in EDP Table 3B in F.5,
- tax cancellation recorded in EDP Table 3B in F.8.

### 6.1 General comments on data sources

#### 7.1 EDP table 4

Table 4 – The statements on the provision of additional data contained in the Council minutes of 23/11/1993 request the submission of trade credits and advances, amounts outstanding in the government debt from the financing of public undertakings, differences between the face value and the present value of government debt and GNI at market prices.

#### 3.8.1 Trade credits and advances

Data on trade credits and advances is calculated basing on data in balance sheets and Rb-N and Rb-Z reports. We use data from balance sheets recorded in the items: liabilities to other entities for goods and services, advances received. Additionally, we use data on contingent liabilities from Rb-Z reports on liabilities to other entities for goods and services.

Data starting from the first quarter of 2011 on long term restructured/refinanced trade credits are included in general government debt data and deducted from the trade credits. As data on restructured trade credits were not available to the end of 2012, an assumption based on general knowledge of the nature of such transactions had to be made. The number of cases where a new agreement between general government unit and a supplier of goods or services is established with new contractual provisions which are not restricted only to a simple extension of the initial maturity was judged to be significantly less common than refinancing with financial institutions which are by definition appropriate agents to design such restructuring terms, as they are more willing to accept risk related to extending maturities of trade credits that includes charging interest than original suppliers are. Therefore 10 per cent of debt relating to factoring without recourse operations was added to the EDP debt.

Starting from the fourth quarter of 2013 data regarding short-term trade credits for restructured liabilities and liabilities assumed by financial institutions are added to the general government debt and excluded from the trade credits and advances.

4. Revision policy used for annual GFS

**3.8.2 Amount outstanding in the government debt from the financing of public undertakings**



## 4. Revision policy used for annual GFS

### **4. Revision policy used for annual GFS**

This section relates to the revision policy concerning annual non-financial and financial government accounts. It describes the country policy for revisions with and without impact on the deficit (non-financial accounts for general government) and debt (financial accounts for general government).

#### **4.1 Existence of a revision policy in your country**

##### **4.1.1 Relating to deficit and non-financial accounts**

The main purpose of revision policy in the EDP and GFS is to record the accurate deficit for the general government sector, covering all units meeting ESA2010 criteria. The consistency between the net lending/net borrowing of EDP data and financial and non-financial accounts is ensured.

There are following revisions for EDP and GFS data:

Revisions due to finalisation of data are made mainly during October notification. Each year at the end of May there are available final data for public finance sector, which are adopted by Parliament and audited by the Supreme Audit Office. Data for other units have also final status. According to the Article 64(1) of the Accounting Act, majority of units audit their financial statements. The revisions in October notification based on the same methodological approach that for April notification.

Revisions due to reclassification of units into general government sector. Data for all public units, which should be reclassified into gg sector, are immediately included in the deficit and debt. Analysis of public units controlled by gg sector are conducted annually. Sometimes the results of analysis are available only for October notification.

The occasional revisions concern corrections of errors and very rarely, reclassification of transactions – financial versus non-financial.

Methodological revisions resulting from the implementation of Eurostat decisions and guidance notes, changes in the Manual of General Government Deficit and Debt are made as soon as possible, mostly in the same year.

There are also other revisions which are made due to action points after standard dialogue visits and as a result of consultations on the General Government Statistics Working Group.

All revisions which should be done during the EDP clarifications process are done immediately unless agreed differently with Eurostat.

Revisions are coordinated within national accounts. All changes are made at the same time in all institutional sectors. These revisions are made at least for the time series covered by the EDP tables.

##### **4.1.2 Relating to debt and financial accounts**

Major revisions of financial accounts usually take place in April and in October in order to assure consistency with the EDP data reporting. They include methodological changes, improvements in data sources, reclassification of units as well as the correction of errors (if any). Revisions in general government gross debt are related to the updated data sources, the reclassification of units into gg sector as well as the implementation of Eurostat decisions and guidance notes, changes in the Manual of General Government Deficit and Debt .

#### 4.Revision policy used for annual GFS

### **4.2 Reasons for other than ordinary revisions**

The final data for the State budget are available at the end of May T-1, therefore there is no need for additional revisions.

In case of existence of new data sources/details which were not available in the past, revisions are made during the next EDP notification.

Other revisions are made at least for the whole time series covered by EDP tables.

Major revisions are made every few years. It concerns implementation of new ESA standards, reservations to Gross National Income, changes of methodology, etc. They are coordinated within national accounts. All changes are made at the same time in all institutional sectors. They are implemented for the longer time series, ie. starting from 1995 or 2004.

### **4.3 Timetable for finalising and revising the accounts**

In April EDP notification year T-1 is treated as half- finalised, years T-2, T-3 and T-4 are considered to be final.

In October EDP notification data for T-1, T-2, T-3 and T-4 are final.

Timetable for finalising and revising the accounts is the same, because nonfinancial and financial accounts are compiled at the same time.

## B. Methodological issues

### 5. Sector delimitation – practical aspects

#### 5.1 Sector classification of units

General government is defined by ESA2010 §2.111 as "... institutional units which are non-market producers whose output is intended for individual and collective consumption, and are financed by compulsory payments made by units belonging to other sectors, and institutional units principally engaged in the redistribution of national income and wealth". Moreover, §20.05 specifies that the general government sector "consists of all government units and all non-market non-profits institutions (NPIs) that are controlled by government units. It also comprises other non-market as identified in paragraphs 20.18 to 20.39".

It is necessary to determine:

- a. if it is an institutional unit (ESA2010 2.12 describes the rules according to which an entity can be considered as an institutional unit)
- b. if it is a public institutional unit (ESA 2010 §20.18 and MGDD I.2.3 – define the notion of control by the government over an entity as "the ability to determine the general policy or programme of that entity"... According to the list of criteria listed in ESA 2010 §20.309 )
- c. if it is a non-market public institutional unit - reference to "Market-non-market delineation" (ESA 2010 §20.19 to §20.28 and MGDD I.2.4)"

In Poland, to the general government sector are classified two groups of units, i.e. organizational units classified, according to the national methodology, to the public finance sector (the 1<sup>st</sup> group) and units that are not part of the public finance sector (the 2<sup>nd</sup> group).

- **the 1<sup>st</sup> group** – it includes entities constituted under Article 9 of the Public Finance Act or under separate laws. Public finance sector units are *ex definitione* non-market producers, as s provide all or most of their output to others free of charge or at prices that are not economically significant. However, the non-market criterion must be tested each time because of the possibility of exceptions in this group of entities (for example: Polish Jockey Club).
- **the 2<sup>nd</sup> group** – it includes public corporations covering less than 50% of production costs with sales revenue (public non-market producers), funds created within the Bank Gospodarstwa Krajowego and specific public entities. The non-market criterion are tested each time in accordance with the principle of "case by case" for compliance with ESA and MGDD criteria.

Non-market criterion for all public corporations is regularly tested by CSO, i.e.:

- on a regular basis (in the case of organizational changes of the existing units or in case of newly created entities. Employees of the National Accounts Department continuously monitor the range of general government sector),
- annually in November (by updating questionnaire of sector entities controlled by the general government sector, but qualified outside).

Non-market criterion is being examined by the CSO using qualitative and quantitative analysis. The quality criteria are used in the case of specific public entities. These are as follows:

## Sector delimitation – practical aspects - Existence and classification of specific units

- when the unit sells only to government, and does not compete with private producers to obtain that this output is sold to government, then the unit is to be classified within general government; or
- when the government has a single supplier in a certain type of goods and services and this single supplier sells less than 50% of its output to non-government units and it did not compete with private producers to obtain its contract with the government, then the unit is to be classified within the general government; or
- when the producer has no incentive to adjust supply to undertake a viable profitmaking activity, to be able to operate in market conditions and to meet its financial obligations, then the unit is to be classified within the general government.

For others, CSO use quantitative analysis, i.e. market/non-market test. The 50% criterion is used. To calculate this ratio, the following algorithm is used: sales [net revenues from sales of products and net revenues from sales of goods and materials deducting excise tax and value of goods and materials sold] divided into costs [operating costs and net interest charge deducting excise tax, value of goods and materials sold and cost of manufacturing products for own use].

In case of existing units longer time series are analyzed (the non-market analysis covers the years: t-3 to t). For new units business plans are taken into consideration.

In case of small units the main problem is access to data, they fill only the SP-3 survey on the basis of random selection.

Employees of the National Accounts Department continuously monitor the range of general government sector. Information on public finance sector units comes from:

- Legal acts, particularly the Public finance Act (as amended) and draft legal acts;
- Budgetary act for the next fiscal year;
- Ministry of Finance;
- Base of units for statistical purposes (BJS)<sup>7</sup>;
- List of public finance sector units conducted by the Ministry of Finance;
- The mass-media and Internet information resources.
- Statistical surveys.

Information about public entities that are not part of the public finance sector comes from:

- Legal acts, draft legal acts;
- Ministry of Finance ;
- Base of units for statistical purposes (BJS)<sup>2</sup>;
- Questionnaire of sector entities controlled by the general government sector, but qualified outside;
- The mass-media and Internet information resources.

The decision about sector/subsector classification is made by the General Government Statistics Working Group (GGSWG consisting of the representatives from CSO, MoF, NBP) takes decision about their ESA sector classification. The group considers following questions:

- Is it an institutional entity?
- Is its output market or non-market?

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<sup>7</sup> Base of units for statistical purposes (BJS) is used quarterly to obtain information about creation of new public units or any organizational changes of the existing ones.

## Sector delimitation – practical aspects - Existence and classification of specific units

Sector/subsector classification of all units with the ratio below 50% is analysed and discussed on the General Government Statistics Working Group (GGSWG) meetings. To determine whether the entity should be included into S.13 following questions should be asked:

- Is it an institutional entity?
- Is it a public institutional unit?
- Is its output non-market?

All units classified to general government are properly marked in BJS according to the national and ESA2010 methodology. The register is updated after each change of scope of the S.13.

Base of units for statistical purposes (BJS) is used quarterly to obtain information about creation of new public units or any organizational changes of the existing ones. CSO monitors continuously the scope of the general government sector.

Information on updated national accounts via changes in register is described in chapter 4 Revision policy used for annual GFS.

### 5.1.1 Criteria used for sector classification of new units

In Poland, for the classification of new units inside general government (S.13), the criteria taken into consideration are the same as for the others. The following the sector delimitation rules of ESA2010 and more specific guidance given in MGDD are used:

- Institutional criterion (legal status, the degree of decision-making autonomy of unit, tasks performed by the unit);
- Control criterion;
- Non-market criterion (test market/non-market, economically significant prices).

As mentioned in point 5.1, in Poland, to the general government sector are classified two groups of units, i.e. organizational units classified, according to the national methodology, to the public finance sector (the 1<sup>st</sup> group) and units that are not part of the public finance sector (the 2<sup>nd</sup> group). In the case of the former, the classification of new units is simplified, because S.13 includes most of the units classified in the public finance sector. A classification of new units to the public finance sector is similar to the classification of general government sector authorities. The Public Finance Act<sup>8</sup> reformed in relation to the previous legislation the category of public finance sector, bringing it to EU standards of the ESA. The difference between the national methodology and ESA methodology lies in the fact that the Public Finance Act introduced a closed catalog of units included in the public finance sector in contrast to the ESA.

**Table 1. Differences in the sectoral classification methodology between national and EU methodology.**

Type of units	National Methodology: public finance sector	EU methodology: general government sector
<i>The 1<sup>st</sup> group</i>		
<b>public finance sector entities</b>	They are included in the public finance sector on the basis of five	They are included in the general government sector on the basis of

<sup>8</sup> The Public Finance Act of 27 August 2009 (Journal of Laws No. 157, item 1240, as amended).

Sector delimitation – practical aspects - Existence and classification of specific units

	<p>criteria:</p> <ol style="list-style-type: none"> <li>1) <b>Registered designation of the entity;</b></li> <li>2) <b>Structural status of the entity</b> – it points to belonging to the system of state or local government authorities or their subordinate units;</li> <li>3) <b>Legal form</b> – it indicates that the entity is a state or local government legal entity, rather than a natural person;</li> <li>4) <b>Nature of the activities of the entity and the purpose of conducted activity</b> – it indicates the core business and the associated public tasks;</li> <li>5) <b>Legal and financial status of the unit</b> – it shows how accountability of the entity with the right budget</li> </ol>	<p>three criteria:</p> <ol style="list-style-type: none"> <li>1) <b>Institutional criterion</b> – the public finance sector in Poland is mostly composed of state and local legal entities that are funded primarily or solely from the state budget or local government units, performing tasks on non-commercial terms. The public finance sector also comprises organizational units without legal personality. Example: state funds, which are bank accounts, which have the appropriate ministers designated in the law establishing the fund. Due to the diverse nature of entities of the public finance sector, institutional criterion must be tested every time according to the principle "case by case." according to the methodology of ESA 2010, legal form of unit doesn't prejudice the possession by it decision-making autonomy.;</li> <li>2) <b>Control criterion</b> – in the case of public finance entities, the control criterion is <i>ex definitione</i> fulfilled because formal and legal requirements functioning of these units cover all conditions of the ESA2010, i.e. they are controlled by the primary entity at the central or local level within the general government sector. Their general policy has been defined by the legislature in the Public Finance Act or special laws under which they were created;</li> <li>3) <b>Non-market criterion</b> – public finance sector units are <i>ex definitione</i> non-market producers, as s provide all or most of their output to others free of charge or at prices that are not economically significant. However, the non-market criterion must be tested each time because of the possibility of exceptions in this group of entities.</li> </ol>
<i>The 2<sup>nd</sup> group</i>		
<p><b>funds created within the Bank Gospodarstwa Krajowego</b></p>	<p>They are not included in the public finance sector</p>	<p>They are included in the public finance sector on the basis of five criteria:</p>
<p><b>public companies covering less than 50% of production</b></p>		<ol style="list-style-type: none"> <li>1) <b>Institutional criterion;</b></li> </ol>

<p><b>costs with sales revenue (public non-market producers)</b></p>		<p>2) <b>Control criterion;</b> 3) <b>Non-market criterion.</b> Each new unit is thoroughly analyzed in accordance with the principle of "case by case" for compliance with the above criteria.</p>
<p><b>Specific public entities</b></p>		<p>– they are included in the general government sector on the basis of the criteria described in MGDD, – for these units is not necessary to carry out a market/non-market test. Each new unit is thoroughly analyzed in accordance with the principle of "case by case" for compliance with the MGDD criteria.</p>

### 5.1.2 Updating of the register

As explained above.

### 5.1.3 Consistency between different data sources concerning classification of units

S.13 units are marked in BJS, which is used to create files (the lists of entities covered by the surveys) for all statistical surveys in CSO.

The scope of S.13 is determined jointly by the Central Statistical Office, Ministry of Finance and the National Bank of Poland and is used by these institutions in developing their statistics. Non-financial accounts and financial accounts for S13 are compiled by the CSO for groups of units or individual units what ensures the consistency of the accounts.

## 5.2 Existence and classification of specific units

### 1. *Non-profit institutions (NPI)*

There are following non-profit institutions in Polish general government sector:

a) Fundacja “Miejski park i ogród zoologiczny w Krakowie” (the Foundation ‘City park and zoological garden in Cracow’) which operates city park and zoological garden.

b) Fundacja na rzecz Nauki Polskiej (the Foundation for Polish Science) realizes its statutory purposes through:

- Support for distinguished scholars and research teams in all fields of inquiry
- Modernization of research facilities
- Assisting innovative ventures and commercialization of scientific discoveries and inventions.

c) Volunteer Fire Departments.

### 2. *Quasi-corporations*

There is one quasi-corporation in Polish general government sector. It is the State Forests National Forest Holding (Państwowe Gospodarstwo Leśne Lasy Państwowe), which is an enterprise protecting, utilizing, and shaping Poland’s forests. It manages publicly owned forests on behalf of the State Treasury.

### ***3. Infrastructure companies***

#### **Railways**

There are 3 railways companies which are classified to general government sector in Poland. According to the result of 50 % test those companies have showed less than 50 % ratio of sales to the production costs. Please find below details on those units:

Koleje Dolnośląskie S.A. is a company fully owned by the local self-government. The purpose of the company, consists of providing passenger transportation services by railbuses within the territory of the Lower Silesia. The unit performs this task as commissioned by the province self-government.

Przewozy Regionalne Sp. z o.o. is a train operator responsible for local and interregional passenger transportation. Currently, the company is owned by Agency for Industrial Development (majority stake) and 16 regional governments.

PKP PLK S.A. is a company of the PKP Group and is responsible for maintenance of rail tracks, leading of railway traffic, conducting the trains across country, scheduling train timetables and management of railway land.

To calculate the 50% test of above mentioned companies we used depreciation from their financial statements. Revenue from sales of PKP PLK mainly consist of fee collected for operating the railway network paid by train operators. In addition, PKP PLK receive subsidies on production from central government and investment grants mostly from the EU. Two other companies provide passenger services and receive subsidies under contract for the provision of public services.

The other public railway companies in accordance with 50% test are market producers.

#### **Roads**

Generalna Dyrekcja Dróg Krajowych i Autostrad (the General Directorate for National Roads and Motorways) is the central authority of national administration set up to manage the national roads and implementation of the state budget in Poland. The GDDKiA was established on 1 April 2002 by the Ministry of Transportation. The unit is classified in general government sector due to the fact, that is mainly financed and controlled by the government.

#### **Metro**

Metro Warszawskie Sp. z o.o. performs underground railway passenger transport in Warsaw, and is also responsible for the investment and supervision of the construction work on the expansion of the metropolitan metro network. Company is owned by the City of Warsaw. The unit has market/ non market test above 50% and is classified into the S.11 non-financial corporation sector.

#### **Public utility companies**

As part of the ongoing work, it was examined about 190 municipal companies, which are under the control of local sector. Those entities carry out activities in the vast majority related to supply of water, collection and treatment of urban waste water and waste management. Therefore, they execute so called tasks of public service obligations for general public. Therefore, we consider that there is no reason for reclassification of above mentions entities to government sector. All those entities are market producers and are classified outside S13.



## **Ports, airports**

Currently in Poland there is 13 public companies operating airports which are market producers and are classified into the S.11 non-financial corporation sector. In addition, 2 public companies i.e. Port Lotniczy Łódź Sp. z o.o. and Port Lotniczy Szczecin Goleniów Sp. z o.o. have market/ non market test below 50% and are classified into the general government sector.

There are 5 public companies which operate ports in Poland of which 2 units are units employing more than 9 people and they are market producers. The other 3 companies are small units employing less than 9 employees and therefore not covered by the CSO reporting system.

## **4. Universities, schools**

All public schools and universities are classified in general government sector.

## **5. Public TV and radio**

After analyzing all public radio stations (18 units) it has been decided that they are maintained mainly from the subscription. In addition, it was confirmed that the proceeds from the subscription are reported as revenues from sales. Other income from commercial activities, such as radio commercials represent a small portion of their revenues. Therefore, the public radio stations were included in the general government sector. In case of public TV, the majority of its revenues come from commercial activities. Therefore, the unit is classified outside general government sector.

## **6. Public hospitals**

All public hospitals are classified in general government sector regardless of the legal form. It was recognized that public hospitals do not compete in a real way with private hospitals. In addition, the financial situation of public hospitals is not very good, as indicated by the level of their debt. Most of the analyzed hospitals are 100% subsidiaries of the general government so that the control criterion of S.13 is met. Public hospitals also must provide certain services, the realization of which they may not refuse. One of the statutory own tasks of the local governments is to provide health care.

## **7. SPE/SPV**

There have been no SPE/SPV identified.

## **8. Specific public units involved in financial activities**

There are two public units involved in financial activities in Polish general government sector:

Bankowy Fundusz Gwarancyjny (the Bank Guarantee Fund) is an institution which operates the deposit guarantee scheme in Poland. In establishing the Bank Guarantee Fund, the legislator specified the deposit guarantee principles of this institution and incorporated it into the system of institutions overseeing the safety of the financial sector.

Sector delimitation – practical aspects - Existence and classification of specific units

Korporacja Ubezpieczeń Kredytów Eksportowych Spółka Akcyjna (KUKE S.A.) (Export Credit Insurance Corporation Joint Stock Company) provides insurance services to Polish entrepreneurs. The unit insures export and domestic transactions of their clients, facilitating safe trade in Poland and abroad. It is the only institution in Poland authorized to provide export insurance backed by the State Treasury.

### 9. Other specific units

#### Market regulatory agencies

All market regulatory agencies are classified in general government sector. Please find below detailed list:

Name of the unit	Description	Sector classification
Komisja Nadzoru Finansowego	The unit is the financial regulatory authority. Its responsibilities include supervising of banking, capital markets, insurance, pension scheme and electronic money institutions.	S.1311
Urząd Komunikacji Elektronicznej	The unit is the national regulatory authority for the market of telecommunications and postal services.	S.1311
Urząd Regulacji Energetyki	The unit is responsible for regulation in energy sector as well as promotion of competition.	S.1311
Krajowa Rada Radiofonii i Telewizji	The unit is the Polish broadcasting regulator, which issues radio and television broadcast licenses, ensures compliance with the law by public broadcasters, and indirectly controls state-owned media.	S.1311
Urząd Dozoru Technicznego	The unit operates in the area of security of technical devices.	S.1311
Polska Agencja Żeglugi Powietrznej	The unit is a state agency which deals with air traffic management.	S.1311
Urząd Lotnictwa Cywilnego	The unit is responsible for implementing policies on civil aviation to assure safe, economic and efficient air travel.	S.1311
Agencja Rynku Rolnego	The unit is responsible for the Common Agricultural Policy (CAP) of the EU and related tasks.	S.1311

#### Captive

So far one unit has been identified. It is Agency for Industrial Development (ARP S.A.). It has features of captive financial institution and is control by the general government sector. The main objective of activities of the ARP S.A. is to provide funds for enterprises. The ARP

S.A. has a wide range of financial products. They are available for both large enterprises (financing of development of enterprises, state aid for rescuing and restructuring) and small and medium enterprises implementing innovations under financing innovative projects. Unit is classified in the general government sector (subsector S.1311).

## **6. Time of recording**

This section describes the time of recording for taxes and social contributions, EU flows, military expenditure, interest and other transactions (subsidies, current and capital transfers and financial transactions).

The time of recording is defined in ESA2010 §1.101. It is the accrual basis, meaning when economic value is created, transformed or extinguished, or when claims and obligations arise, are transformed or are cancelled.

### **6.1 Taxes and social contributions**

Council Regulation 2516/2000 amended the Regulation on European system of national and regional accounts in the Community (ESA) 95 as concerns taxes and social contributions and clarified the rules concerning both the time of recording and the amounts to be recorded.

#### **6.1.1 Taxes**

This section describes the methods of recording of taxes on an accrual basis. The time of recording of taxes is defined in ESA2010 §4.26 and §4.82 as the time "...when the activities, transactions or other events occur which create the liabilities to pay taxes".

The data on taxes for the first and second EDP notification are compiled in the same way. For the main part of taxes e.g.: VAT, excise duties, custom duties, income taxes the data are processed on the cash basis. For the rest of taxes (mostly local taxes) accruals are calculated on the base of information included in data base files obtained from the Ministry of Finance.

The main part of tax data for EDP notification (VAT, excise duties, custom duties, income taxes) is processed with the application of cash method in which one month time lag is used. The remaining taxes (mainly local taxes) are compiled on accrual basis with the application of the same pattern for each tax: receivables for the given year decreased by outstanding receivables from the previous year and increased by overpayments from the previous year.

VAT and income taxes are collected by tax offices and the Ministry of Finance whereas excise duties and custom duties are collected by custom offices and the Ministry of Finance. All tax data for EDP notification are compiled by Central Statistical Office.

All reimbursements and refunds are recorded in budget reports as the deductions from executed payments and in this way they are included in the data on tax revenues. Large irregular payments are recorded in the same way as common payments.

## Time of recording - Military expenditure

The choice of cash method for recording the main taxes results from the way of taxpayer's settlements. These taxes are settled on the base of monthly or quarterly tax declarations handed in to tax office with one month delay. Hence the cash method with one month time adjustment reflects the total revenues from those taxes in the best possible way. As for personal and income tax the final annual settlements are made with four month delay but it was agreed with Eurostat to record these taxes in the same way as indirect taxes.

Interest charges on late payments are recorded in the transaction D.75 – miscellaneous current transfer.

The data concerning fines and penalties for non-payment are obtained from budgetary reporting in which they are recorded in the separate paragraph assigned for registering all fines regardless of their source. It is impossible to extract fines and penalties relating exclusively to overdue tax payments, so in national accounts they are all reported in D75 position. They are recorded at the time when liabilities are established.

As for tax credits, the net method is used to compile these data. It is due to the way of recording tax credits in budgetary reporting on the base of tax declarations. They are deducted from a tax payment directly in a tax declaration since they are limited to the tax liability. Thus it is impossible for a tax liability to be negative.

As for interest charged on arrears, they are recorded at the moment when the cash is paid in accordance with general rules ensuring data consistency and together with the relevant tax.

Tax amnesties are also recorded at the moment when the cash is paid and together with the relevant tax revenues.

### 6.1.2 Social contributions

The time of recording of social contributions is defined in ESA2010 §4.94 as "... the time when the work that gives rise to the liability to pay the contribution is carried out..." for employers and employees social contributions, and as "... when the liabilities to pay are created" for self-employed and non-employed persons.

Data used for recording social contributions come from the Ministry of Finance and from the Social Insurance Institution. The data on social contributions for the first and second EDP notification are compiled in the same way. Social contributions are recorded on an accrual basis and then adjusted by the average non-collection coefficient. The coefficient was established as by General Government Statistics Working Group (GGSWG) in cooperation with representatives from Social Insurance Institution and Board of Social Insurance for Farmers and accepted by Eurostat.

This non-collection coefficient is calculated as:

$100\% - \text{cash receipts}/(\text{amounts from assessments and declarations} - \text{law cancellations}) * 100$

Amounts of contributions' law cancellations are recorded as payable capital transfers with impact on B.9 level.

Interest charges on late payments are recorded in the transactions D.75 – miscellaneous current transfer. There is only one exception in Social Security Fund, interest charges on late payments are recorded in the relevant transactions connected with social contributions – D.61. Social Insurance Institution, Agricultural Social Insurance Fund, Labour Fund and National Health Care collect information about social contributions. CSO compiles data for EDP tables and related questionnaires.

The final data for the year t are available at t+7 months.

The amounts of social contributions in central government is corrected for amounts of imputed social contribution for Ministry of Defence, Ministry of the Interior and

Administration and Ministry of Justice. The same value is showed in employers' social contribution. It does not impact on B.9.

## 6.2 EU flows

The issue of recording EU flows is important for national accounts, especially government accounts, because – due to the institutional arrangements – in general all amounts transit via government accounts. In order to avoid potential effects on the level of government deficits, countries have to eliminate these flows from public accounts. Eurostat, after the consultation with Member States, released a decision in February 2005. The ESA2010 Manual on government deficit and debt Chapter II. 6 “*Grants from the EU budget*” provide further details concerning the recording of these flows.

### 6.2.1 General questions

State budget and local government budget receive transfers from the the European Union, which are kept as deposits in NBP (National Bank of Poland) or BGK (Bank Gospodarstwa Krajowego). State and local budgetary units redistribute these funds directly to beneficiaries or to agencies or funds. There are several agencies or funds (for example Agricultural Market Agency, Agency for Restructuring and Modernization of Agriculture) engaged into transferring the EU funds. These units are classified into general government sector.

CSO obtains data for the EU flows from the Ministry of Finance in following reports:

- Rb-27 - annual report on the execution plan for state budget revenues including all revenues; it include some flows from the EU for state government (old financial perspective - Programs 2004-2006) – flows from the EU are recorded in paragraphs with 4<sup>th</sup> figure 1, 5 and 8
- Rb-28 - annual report on the execution plan for state budget expenditures including all expenditures; it includes some flows from the EU for state government (old financial perspective - Programs 2004-2006) – flows from the EU are recorded in paragraphs with 4<sup>th</sup> figure 1, 5 and 8
- Rb-27S - annual report on the execution plan for budget revenues of local government entities; it includes all flows from the EU for local government (old and new financial perspective – Programs 2004-2006 and 2007-2013) - flows from the EU are recorded in paragraphs with 4<sup>th</sup> figure 1, 5, 7 and 8
- Rb-28S - annual report on the execution plan for budget expenditures of local government entities; it includes all flows from the EU for local government (old and new financial perspective – Programs 2004-2006 and 2007-2013) - flows from the EU are recorded in paragraphs with 4<sup>th</sup> figure 1, 5, 7 and 8
- Rb-27UE – annual report on execution plan for the EU flows budget revenues – from 2010 year additional report of the EU flows including flows for state government (not reflected in annual report on the execution plan for budget revenues of local government entities) and all flows for local government (all of them are reflected in annual report on the execution plan for budget expenditures of local government entities).
- Rb-28UE – annual report on execution plan for the EU flows budget expenditures – including analogous data to Rb-27 EU report regarding to expenditures.

Data concerning the EU flows included in these reports are recorded on expenditure basis. All expenditures are grouped according to paragraphs. Each paragraph indicates the nature of expenditure. It allows to indicate if the beneficiary is general government unit or not. All flows for non-general government units are eliminated from expenditure and revenue of S.13 in national accounts.

All amounts from the EU are included in working balance for central and local government. In the line working balance in EDP Table 2A there are recorded two working balances - The State Budget (data from Rb-27 and Rb-28 reports) and the EU flows budget (data from Rb-27UE and Rb-28UE reports). In the line working balance in EDP Table 2C there is recorded working balance of local government budgetary units (data from Rb-27S and Rb-28S reports). For eliminating impact of the EU transfers on government deficit/surplus, the difference between revenues and expenditure of the EU amounts included in working balance is registered in EDP Table 2 in line Other accounts receivable with negative “-“ or positive “+” sign (net receivables). In tables 3 EDP these amounts are recorded in lines Other accounts receivable (F.8) with negative “-“ or positive “+” sign as increase or decrease of receivables. In other accounts payable (Tables 2 and 3) there are recorded adjustments due to third resource payments to the EU.

In EDP table 3B there is additional adjustment concerning the EU flows, which is not recorded in Table 2, neither in the working balance nor in any adjustment. It refers to amounts on the foreign exchange account and CSO treats them as purely financial transaction. The adjustment is made in F.8 and the same amount is recorded under F.2 with the opposite sign therefore these transactions do not have impact on B.9.

### **6.2.2 Cash and Schengen facility:**

The time of recording of payments received by the beneficiary Member States through Schengen and Transitional Facilities would be accounted according to the Eurostat decision on EU flows, while the time of recording of Cash-flow Facility is when the transfers are to be made by the Commission. In practice, in this particular case, the amounts would be recorded as revenue in the years in which they were received by the beneficiary countries.

### **6.2.3 Jeremie/Jessica**

The European Commission and the European Investment Bank Group and other International Financial Institutions on financial engineering in cohesion policy, the European Commission drew up new initiatives for improving access to finance of European corporations. These initiatives require the involvement of EU governments (as in the case for other cohesion and structural policy instruments). EU Member States implement the JEREMIE and JESSICA initiatives by establishing a Holding Fund funded through their Structural Fund receipts from the European Commission and national contributions. The Holding Fund (HF) can be managed either by the EIF or by other financial institutions, according to the EU Structural Funds legislation applicable. In this context, the "Managing Authorities" can award management either directly to the EIF or any national institution which benefits from public procurement exemption under national law through a grant agreement, or indirectly by way of tender to a financial institution through a service contract. Holding Funds can be set up either as “ring-fenced blocks of finance” or as bank accounts managed by the Holding Fund manager on behalf of and in the name of the Managing Authority, or as an independent legal entity (Special Purpose Vehicle – SPV).

In Poland there are realized Jeremie and Jessica initiatives. The nature of them is granting loans and providing re-guarantees.

Managers and holding funds are classified in national accounts in financial corporations sector. Final beneficiaries of Jeremie and Jessica are units, which realize programs using supporting activities.

#### **6.2.4 Market Regulatory Agencies**

Market regulatory agencies are bodies whose intervention activities are mostly characterised by buying and selling products, often on behalf of the EU, with an aim to stabilize prices and to maintain purchasing prices to farmers at a sufficiently high level: they offer buying agricultural products from domestic producers at a predetermined price (often higher than "market" prices) and reselling them usually at a lower price later on and occasionally arranging for giving them away free of charge. These agencies can be involved in storing agricultural inventories, or in arranging for storage, as well as in distributing subsidies.

The question is whether the principle of re-arranging EU transactions would also apply to the recording of changes in inventories (P.52) arising from the interventions of agricultural market regulatory agencies in the market. According to the guidance, in those circumstances where a market regulatory agency acting on behalf of the EU is classified inside general government, the creation of a unit in S.11 is recommended in order to capture the changes in agricultural inventories, and to avoid that such changes in inventories are recorded in national government accounts (as changes in government inventories, with an impact on the government deficit/surplus) or in the rest of the world accounts (as exports and imports). The unit to be created to capture these changes in inventories is a quasi-corporation, rather than a notional unit, in order to ensure an equality of treatment with cases where market regulatory agencies are classified outside government. This is also appropriate because any temporary difference in value arising from changes in market value of these inventories not yet covered by subsidies is likely to be small and on average zero.

In Poland there is one market regulatory agency - Agricultural Market Agency which among others, provides intervention activities. AMA is classified in general government sector but changes in inventories kept on behalf of the EU are not recorded in S.13.

### **6.3 Military expenditure**

The ESA2010 principle on accrual recording, when applied to military expenditure, is generally the time when the economic ownership of the good occurs, which is usually when delivered.

ESA 2010 paragraphs 20.190-20.192 define the rules for the statistical recording of military equipment. Chapter II.5 in Part II of the ESA 2010 MGDD details the rules concerning the recording of military expenditure.

#### **6.3.1 Types of contracts**

The Polish Armed Forces use only one type of contract: *Fixed Price*. In the fixed price contracts payments are made only after delivery of goods/services or accomplishment of the specific stage (milestone) of the contract. Multiyear contracts are always divided on the year basis and payments are made not earlier than after deliveries of goods/services or accomplishment of the stage in the given year.

## Time of recording - Military expenditure

It is possible, on the account of the realization of contracts, that government undertakes prepayments to contractors. However, they cannot exceed the value of the contract in a given year.

There is no difference in the contracts signed by the Polish Armed Forces with public sector and with private industrial contractors. The Polish Armed Forces cannot provide any forms of state aid for any contractors.

The Polish Armed Forces do not have any long-term lease contracts and do not procure any significant goods/services through other international special agencies.

Monthly cash data are available from budgetary reporting. Moreover, information on cash payments, deliveries, as well as other receivables and other payables is available from the Ministry of Defence.

### **6.3.2 Borderline cases**

There are some borderline cases regarding Polish classification:

- structures and equipment used by military (similar to those utilised by civilian producers) such as airfields, docks, roads and hospitals;
- light weapons and armoured vehicles used by non-military units;
- military dwellings;
- military schools.

### **6.3.3 Recording in national accounts**

In national accounts military expenditure is recorded on a delivery basis (when the economic ownership of good is transferred to the S.13).

In the budgetary data there are recorded cash expenditure. Additional information on deliveries, as well as other receivables and other payables is available from the Ministry of Defence are recorded respectively under other accounts receivables and other accounts payables in EDP tables 2A and 3B. In national accounts all these expenditures are treated as GFCF, according to ESA2010.



## 6.4 Interest

This part aims at describing accrual adjustment for interest.

ESA2010 paragraph 20.178 reads: "*In the system, interest is recorded on an accrual basis, i.e. interest is recorded as accruing continuously over time to the creditor on the amount of principal outstanding*"

ESA2010 MGDD part II, chapter II.4 is dealing with some practical aspects of the recording of interest.

### 6.4.1 Interest expenditure

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

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

For other central and local government bodies data on interest are available directly on accrual basis. Interest include FISIM. Amounts for accrual adjustment on interest are the same in EDP table 2A and 3B.

**Table x Availability and basis of data on interest**

Instrument	S.1311		S.1312		S.1313		S.1314	
	State	OCGB	Main unit	OSGB	Main unit	OLGB	Main unit	OSSB
<b>Deposits (AF.2)</b>	<i>Cash/accrual</i>	<i>Accrual for all payables</i>	<i>M</i>	<i>M</i>	<i>Cash for all debt instruments</i>	<i>Accrual for all payables</i>	<i>Accrual for all payables</i>	<i>M</i>
<b>Debt Securities (AF.3)</b>	<i>Cash/accrual</i>	<i>Accrual for all payables</i>	<i>M</i>	<i>M</i>	<i>Cash for all debt instruments</i>	<i>Accrual for all payables</i>	<i>Accrual for all payables</i>	<i>M</i>
<b>Loans (AF.4)</b>	<i>Cash/accrual</i>	<i>Accrual for all payables</i>	<i>M</i>	<i>M</i>	<i>Cash for all debt instruments</i>	<i>Accrual for all payables</i>	<i>Accrual for all payables</i>	<i>M</i>
<b>Other accounts receivable (AF.8)</b>	<i>Cash/accrual</i>	<i>Accrual for all payables</i>	<i>M</i>	<i>M</i>	<i>Cash/accrual</i>	<i>Accrual for all payables</i>	<i>Accrual for all payables</i>	<i>M</i>

*Cash/accrual, M (not applicable) or L (not available)*

### 6.4.2 Interest Revenue

Interest is registered in the State Budget on a cash basis. Adjustment for revenues interest is calculated using the transmission algorithm from cash to accrual (Claims from year n - Total outstanding claims from year n-1 + Overpayments from year n-1). All accrual adjustment are recorded in other accounts receivable.

Interest include FISIM.

### 6.4.3 Consolidation

The consolidation of interests is done basing on data from Ministry of Finance. CSO receives data about cash and accrual interests on deposits kept in MoF and paid to other general government units (spited into 3 group: central government entities with legal personality,

## Time of recording -Interest

central government entities without legal personality and National Health Fund and Labour Fund). Data about interest on State Treasury bonds received by BFG are also available. During the consolidation process the same amounts of flows are eliminated from revenues and expenditures, therefore it does not impact B.9.

### **6.4.4 Recording of discounts and premiums on government securities**

Working balance includes flows associated with premium and discount which are on cash basis. In EDP table 2 working balance include premium/discount, which we eliminate in other accounts receivable. We do not have information about the life of an instrument.

In national accounts premiums are removed from revenue and treated as negative expenditure.

## 6.5 Time of recording of other transactions

All transactions are recorded on accrual basis according to ESA2010.

As it was mentioned above the main data source is budgetary reporting, for units which statements are collected and aggregated by the Ministry of Finance and then re-sent to CSO (in the form of detailed electronic database). Budgetary reporting for the State Budget and the local budget ensure cash data and CSO makes accrual adjustments. All necessary data are available.

Adjustment for expenditure of central government budgetary units, is calculated using the following algorithm:

Expenditure execution *from year n*

plus

Execution from year n form Rb28NW (Expenditures executions, which has not expired with the end of current budgetary year)

plus

Liabilities stock at the end of the reporting period *from year n*

minus

Liabilities stock at the end of the reporting period *from year n-1*.

Adjustment for expenditure of local government budgetary units, is calculated using the following algorithm:

Expenditure execution *from year n*

*Minus*

Expenditures executions, which has not expired with the end of current budgetary year *from year n*

plus

Expenditures executions, which has not expired with the end of current budgetary year from year n-1

plus

Liabilities stock at the end of the reporting period *from year n*

minus

Liabilities stock at the end of the reporting period *from year n-1*.

Data for extrabudgetary units ensure accrual data.

Data used for recording gross fixed capital formation (GFCF) come from:

- for budgetary units - from the reports on Rb forms of Ministry of Finance
- for legal persons belonging to the general government sector – from CSO reports on questionnaire F-03,
- for corporations reclassified to the general government sector – from CSO reports on questionnaire F-01/I-01 (for April notification),
- for corporations reclassified to the general government sector – from CSO reports on questionnaire SP (for October notification),
- for data on R & D, own-account software and small tools – estimates.

Budgetary reporting on Rb forms ensure cash data. For notification purposes (to ensure compliance with ESA 2010) we make accrual adjustments.

GFCF are recorded on an accrual basis and then, if necessary, adjusted for the on balance sheet PPPs and leasing transactions.

On CSO reports (questionnaires F-03, F-01/I-01 and SP) data on capital formation reported by legal persons belonging to the general government sector and corporations reclassified to S13

## Specific government transactions - Guarantees, debt assumptions

are on accrual basis. This is due to the fact that these reports are prepared by respondents on the basis of accrual book-keeping what is in accordance with the Accounting Act.

Data used for recording subsidies are calculated in similar way but additionally were use data which were received from: Agricultural Market Agency and Agency for Restructuring and Modernization of Agriculture. These data sources cover more information about supplementary area payments and subsidies for producers of fruits and vegetables. Then data for central government are adjusted by adding those amounts which are not exist in report on the implementation of the budget.

The amounts of dividends are corrected for superdividends which is recorded as equities sales.

The data concerning fines and penalties for non-payment are obtained from budgetary reports in which they are recorded in the separate paragraph assigned for registering all fines regardless of their source. It is impossible to extract the fines and penalties regarding exclusively overdue tax payments, so in national accounts they are all reported in D75 position. They are recorded at the time when liabilities are established.

In the Central Statistical Office control and supervision in respect to the general government deficit and debt data are exercised within the management control.

The control mechanism can be divided in mechanism, which operate:

- ex-ante - built-into procedure of the process, acting during the implementation of the cycle, in order to ensure the quality of the product (e.g. verification of data (input data) submitted by particular units, systematic evaluation of results and continuous improvement of the functioning of process of elaboration of EDP statistics.
- ex-post - shown at the end of the cycle of activities, processes (e.g. substantive control of output data of EDP, i.e. checking the actual conduct of the operation, to determine whether all of the quality, quantity and value data stated in the document are in line with reality, and the work has been done fairly in accordance with the norms/standards).

All rules concerning auditing of public accounts are described in part 2.2.2.1.

## 7. Specific government transactions

Methodological rules applicable for recording of specific government transactions are set up in the Manual on Government Deficit and Debt (implementation of ESA2010), 2013 edition<sup>9</sup>.

### 7.1 Guarantees, debt assumptions

Generally, government guarantees are recorded off-balance sheet in government accounts (contingent liability), and neither government debt nor deficit is impacted. However, when a guarantee is activated (called), the payment made by government on behalf of the debtor is normally recorded as government expenditure. In case of repeated guarantee calls, the whole outstanding amount of the guaranteed debt should be assumed by government. The latter leads to a one-off increase of government debt as well as of deficit. The accounting rules are explained in the Chapter VII.4 on Government guarantees of the ESA2010 Manual on government deficit and debt. This chapter describes also specific cases and related treatment in national accounts.

<sup>9</sup> [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-GQ-13-006/EN/KS-GQ-13-006-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-GQ-13-006/EN/KS-GQ-13-006-EN.PDF)

## **7.1.1 Guarantees on borrowing**

### *7.1.1.1 New guarantees provided*

#### ***Recording in public accounts***

On the basis of the Act dated 8 May 1997 on Securities and Guarantees granted by the State Treasury and by Certain Legal Persons (Journal of Laws of 2015, item 1052) the State Treasury grants guarantees for:

- repayment of credits,
- performance of obligations arising from bonds,
- payment of compensation for destroyed, damaged or stolen exhibits.

The typical beneficiaries of guarantees are domestic banks, Polish railways, companies building motorways, housing cooperatives and power stations.

The State Treasury guarantee-related accounting records are kept in government public accounts placed in the Ministry of Finance, National Bank of Poland (NBP) and National Bank of Economy (BGK).

According to the above mentioned act every year the Council of Ministers submits to the Parliament information on guarantees granted by the State Treasury in a given year, which consists of data concerning new guarantees provided, amounts of contingent (potential) liabilities, expenditures (payments made by the State to cover liabilities in case of a guarantee call), claims resulting from the performance of guarantee agreements, actions performed by the Minister of Finance to recover the amounts paid under a guarantee and amounts of such revenue.

According to Polish regulations all State liabilities in virtue of granted guarantees and sureties are contingent (potential) liabilities and are recorded as off-balance sheet items. The total stock of outstanding guarantees represents the amount of contingent (potential) liabilities that the guarantor (represented by the Minister of Finance) has and that would have to be covered (till the end of “life” of each guarantee) by the State if all debtors became unable to pay their debt. The State Treasury grants guarantees to public and non-public entities.

#### ***Recording in national accounts***

As regards State Treasury guarantees there are available data by amounts of individual guarantees and by name of individual beneficiaries. As regards guarantees provided by local government entities aggregated data are available only. Guarantees provided are treated as contingent liability. There were no cases of debt assumption at inception.

### *7.1.1.2 Treatment of guarantees called*

#### ***Recording in public accounts***

When a guarantee is called the amount of the call becomes due and is paid by the Guarantor (i.e. Minister of Finance). This transaction in public accounts is recorded as an expenditure. Pursuant to the agreement on issuance of guarantee concluded by the Guarantor-Minister of Finance with an entity which liabilities are covered by the guarantee, the entity (debtor) is obliged to repay without delay (usually in 7 days after receiving the payment notice) the funds which were spent by the Guarantor i.e. state budget to cover the debtor’s debt. In case of not doing so, the Minister of Finance is required to recover the amount through debt collection actions and that is why the claim (receivable arising from the call) is recorded in the public

## Specific government transactions - Guarantees, debt assumptions

accounts. Once a year the Minister of Finance assesses the possibility of recovery of these claims.

In case of:

- liquidation of the debtor (confirmed by a deregistration notice from the National Court Register),
- conversion of the claim into shares of the debtor-entity,
- financial assessment of a particular case (debtor), which confirms that the amount of the claim or part of it can no longer be collected,

the amount of the claim (receivable) or its part is written off in the public accounts.

According to Polish regulations a debt assumption of the outstanding amount of debt does not exist. However, there have been two guarantees which are have been called regularly due to permanent difficult financial situation or liquidation of the entities (these cases are recorded in ESA accounts as debt assumption).

### ***Recording in national accounts***

When guarantee is called the decision tree for guarantee cash calls is applied. Guarantee call is recorded as:

- expenditure in case of partial call (for the amount of the cash call) D.9(-)/F.2(-),
- assumption of debt in case of repeated call D.9(-)/F.4 Liab. (+)
- repayment of government debt (already assumed) by government F2(-)/F.4 Liab.(-).

Decision is taken independently by the CSO statisticians on the base of detailed information received from Ministry of Finance (concerns State Treasury guarantees). In view of the lack of detailed information concerning local level, for guarantees cash calls and repayments by original debtor concerning local guarantees CSO assume that these figures are related to assumed debt in ESA accounts. In consideration of analysis performed and discussion with Eurostat (concerning existing cases) there are not recorded claims from guarantees called in last years.

#### *7.1.1.3 Treatment of repayments related to guarantees called*

### ***Recording in public accounts***

The repayments made by the original debtor:

- in the year of the call decrease the expenditure made,
- in the next years from the year of the call are recorded as revenue.

### ***Recording in national accounts***

The repayments by original debtor are recorded as revenue in both cases:

- when related guarantee call was previously recorded as expenditure,
- when related guarantee call resulted previously in debt assumption (implying recording of government expenditure)

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#### *7.1.1.4 Treatment of write-offs by government in public accounts of government assets that arose from calls, if any*

Write-offs are result of claims removing from claims registration in public accounts. In national accounts write offs are treated as other changes in the volume of assets.

Specific government transactions - Guarantees, debt assumptions

#### *7.1.1.5 Data sources*

The individual data on stocks of guarantees and calls by year and by beneficiary concerning state budget are available.

### **7.1.2 Guarantees on assets**

Until now there were no guarantees on assets in Poland.

#### *7.1.2.1 New guarantees provided*

*Recording in public accounts*

*Recording in national accounts*

#### *7.1.2.2 Treatment of guarantees called*

*Recording in public accounts*

*Recording in national accounts*

#### *7.1.2.3 Treatment of repayments related to guarantees called*

*Recording in public accounts*

*Recording in national accounts*

#### *7.1.2.4 Treatment of write-offs*

#### *7.1.2.5 Data sources*

### **7.1.3 Standardized Guarantees**

The existing schemes of standardised guarantees (guaranteed. by S.13) are:

- Students credit guarantees scheme managed by Bank Gospodarstwa Krajowego (BGK) which secures the repayment of credits issued by commercial banks- creditors to student and doctoral candidates,
- De minimis guarantees scheme managed by BGK and dedicated to small and medium companies,
- Insurance of export credits with repayment period less than 2 years (part of the activity of the Export Credit Insurance Corporation - KUKI S.A).

The source of data concerning stocks and transactions are respectively BGK and KUKI S.A. The provision of calls is calculated by CSO on the basis of the guarantee amounts in the given year and the coefficients resulting from sums of payments in the previous periods. Each scheme has his own, individual coefficient

## **7.2 Claims, debt cancellations and debt write-offs**

Providing loan capital is generally a financial transaction not impacting the net borrowing/net lending (B.9). Government, as a lender, is expecting that the debtor will be in a position to

## Specific government transactions - Capital injections in public corporations

repay the loans, according to a schedule agreed at inception. However, if the loan is non-recoverable, the recording of government expenditure might be considered. The related accounting rules are set up in ESA2010 and further clarified in the Chapter III.2 on Capital injections and Chapter VII.2 on Debt assumption and cancellation of the ESA2010 Manual on government deficit and debt.

### 7.2.1 New lending

Central government claims include domestic and foreign short term and long term loans granted by the State and other central government units as well as upfront payments paid by MoF on non-marketable swaps. The beneficiaries of loans are known for loans granted by State Budget (mainly Social Insurance Fund, local government budgetary units, foreign). The direct data on transactions on new lending and on the related repayments are available for loans granted by the State Budget, net transactions derived from the stocks are available for loans granted by other central government units.

### 7.2.2 Debt cancellations

Debt cancellations are recorded on the basis of legal, official decisions. Official rules for debt cancellations are included in acts regulating the activity of Fund for Guaranteed Employee Benefits and the activity of Student Loans and Credits Fund as well as in resolutions of Board of National/Local Fund for Environmental Protection and Water Management. The main data source is the Annual report on budget realisation, reports from National/Local Fund for Environmental Protection and Water Management, report from BGK. Debt cancellation is recorded as F.4 and in nonfinancial accounts D.99 other capital transfers.

### 7.2.3 Repayments of claims

Repayments of claims are recorded as financial transactions under F.4 in ESA2010 accounts in general.

There were no receipts from repayments of claims which were previously cancelled. No repayment in kind is observed.

### 7.2.4 Debt write-offs

### 7.2.5 Sale of claims

There were no cases of sales of claims.

## 7.3 Capital injections in public corporations

Government capital injections are transactions which occur when governments provide assets (in cash or in kind) to public corporations (or assume liabilities), in their capacity of owner / shareholder, with an aim to capitalize or recapitalize them. The accounting rules are set out in ESA2010 paragraphs 20.197-20.203 and clarified in the Chapter III.2 on Capital injections of the ESA2010 Manual on government deficit and debt. These chapters devotes considerable space to set the operational rules for the recording of capital injections in national accounts either as transactions in equity (financial transaction = financing = “below-the-line”), or as capital transfers (non-financial transaction = expenditure = “above-the-line”).

It is recalled that the MGDD also indicates that payments by government to public units, structured in the legal form of a loan or a bond, might be considered in specific circumstances



## Specific government transactions - Dividends - Privatization-

as capital injections, and to be classified in certain cases as a non-financial transaction (predominantly capital transfer D.9); cf. MGDD III.2.3.2.2.

Information on capital injections (in cash or in kind) is obtained from Ministry of the State Treasury, Ministry of Economy, Ministry of Infrastructure and Development, Ministry of Finance (Budget implementation report) and The Office of Competition and Consumer Protection.

After collecting the data, the case by case “capital injection test” is applied. As a general rule, the most important criteria for classification of injections is the operating profit of the company for the last three years. In case when the company had operating losses for three years in a row or made any exceptional one-off losses, then injection is recorded as a non-financial transaction for its full amount. Otherwise the capital injection is recorded as a financial transaction. It is also investigated by the CSO if private shareholders are participating in a capital injection and if the shares of the company are quoted or unquoted.

In case when the injection is made into a new corporation then the analysis of the injection is carried out. For this purpose it is checking if the new unit will not be use only for public policy purposes or if after a "normal" temporary period of losses the corporation would be structurally profitable. If the above conditions are fulfilled that such a transaction is treated as a financial transaction for its full amount.

From the units delivering us information on capital injections only Ministry of Economy reports data for local governments. Than CSO decides how the transaction should be treated in national accounts and EDP. Values are not significant and they not appear in each year. In addition all purchases of shares and equities by local authorities are treated as non-financial transactions (capital injection with impact on B.9)

### 7.4 Dividends

The accounting rules are set out in ESA2010 paragraphs 20.205-20.207. It is recalled, that the ESA2010 Manual on Government Deficit and Debt chapter III.5 indicates that large and exceptional payments out of reserves which significantly reduce the own funds of the corporation should be treated as superdividends, i.e. transaction in shares and other equity (a capital withdrawal). It also sets out that the resource available for distribution by a unit (a corporation) is the *distributable income* of the unit, as defined in the ESA2010, paragraph 4.55.

Total distributions could therefore comprise one part recorded as distributed income of corporations, D.42, and another recorded as transactions in equity, F.5. The former data is reported to Eurostat in ESA2010 table 2 and table 8 within “other property income” category, and the latter is included within transactions in equity in financial accounts. Within the latter, for the benefit of analysis, one should also distinguish between amounts received from the National Bank of Poland, and amounts received from other public corporations.

For the central government, information on dividends received by government is obtained from the Ministry of Treasury. While carrying out the superdividend test the dividends received are compared with the operating profit from the previous year. This is due to the fact that dividend to be paid out is usually made based on the results of the previous economical year. “Super-dividend test” described above is done by CSO twice in the year, before April and October notification and is applied to all dividends paid to central government. The general rule is that we record any amount in excess of the distribution over operating profit as a withdrawal of equity (F.5) and the rest of distribution as a dividend. In case when the

dividends received which are equal or less than the operating profit of the previous year, are recorded as property income in national accounts.

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

General information on dividends received by local government is obtained from the Ministry of Finance. Then the CSO sends a request to local governments to obtain the names of companies which paid dividends. Then the superdividend test is performed. Due to the availability of the source data, the test is carried out before October notification. We decided to perform it only for the biggest transactions, i.e. for payments above 10 million PLN.

## 7.5 Privatization

The accounting rules are set out in ESA2010 paragraphs 20.210-20.213. The proceeds collected by government when disposing of shares in public corporations are often called privatization proceeds. The counterpart entity (i.e. the acquirer of shares) is the private sector. Privatization can be indirect when the proceeds are forwarded to government after the sale of a subsidiary. The MGDD chapter V.2 indicates that such indirect privatization proceeds are not government revenue. MGDD chapters V.3 and chapters V.4, respectively, provide the guidance on the treatment of privatisation proceeds from public corporations and restitution and use of vouchers for privatisation.

Specifically, chapter V.3.1 of the ESA2010 Manual on government deficit and debt mentions that in some EU Member States, holding companies have been set- up by the government to restructure the public sector with the aim of making the enterprises more competitive and profitable and, in the long run, disengaging the government. Often their main activity is to organise the privatisation efficiently and transfer the proceeds of the sale of shares to other public corporations (owned by the holding company or not), through grants, loans or capital injections.

The main issue is: what is the relevant sector classification of this sort of unit managing privatisation and possibly making grants to other enterprises? Should this activity been considered as taking place on behalf of the government?

There is no separate institutional unit involved in privatization in Poland.

Under the current regulations, the privatization revenues are used to create the following special state purpose funds, on the accounts of which there are collected resources in the amount of:

- Business Restructuring Fund – 15% of obtained privatisation proceeds and the interest on these funds (Article 56 section 1 point 2 of the Act on Commercialisation and Privatisation),
- Restitution Fund - resources coming from sale of 5% of shares held by the Treasury in each of the companies formed as a result of commercialisation and the interest on these funds (Article 56 section 1 point 1 of the Act on Commercialisation and Privatisation),
- State Treasury Fund – 2% obtained privatisation proceeds and the interest on these funds (Article 56 section 1 point 3 of the Act on Commercialisation and Privatisation),
- Fund for Polish Science and Technology – 2% of obtained gross privatization proceeds and the interest on these funds (Article 56 section 1 point 4 of the Act on Commercialisation and Privatisation),

## Specific government transactions - Dividends - Privatization-

- Demographic Reserve Fund - 40% of total gross privatisation proceeds less the amount of obligatory write-offs for the Restitution Fund (Article 58 section 2 point 2 of the Act on Social Insurance System),
- Separate account of the minister competent for Labour - reserve for the purposes of enfranchisement (Article 56 section 3 of the Act on Commercialisation and Privatisation),
- Restructuring the defence industry and technical modernization of the Polish Armed Forces (Article 8 of the Act on Promotion of the Restructuring of the Defence Industry and Technical Modernization of the Polish Armed Forces),
- Transcript to meet the claims under the sureties and guarantees granted by the Treasury (Article 25a of the Act on Sureties and Guarantees granted by the State Treasury and by Certain Legal Persons).

The remaining funds are transferred to the state budget.

## 7.6 Public Private Partnerships

The term “Public-Private Partnerships” (PPPs) is widely used for many different types of long-term contracts between government and corporations for the provision of public infrastructure. In these partnerships, government agrees to buy services from a non-government unit over a long period of time, resulting from the use of specific “dedicated assets”, such that the non-government unit builds a specifically designed asset to supply the service. The accounting rules are set out in ESA2010 paragraphs 20.276-20.282 and clarified in the Chapter VI.4 of the ESA2010 Manual on government deficit and debt.

The key statistical issue is the classification of the assets involved in the PPP contract – either as government assets (thereby immediately influencing government deficit and debt) or as the partner’s assets (spreading the impact on government deficit over the duration of the contract). This is an issue similar to the one of distinguishing between operating leases and finance leases, which is explained in Chapter 15 of ESA2010.

As a result of the methodological approach followed, in national accounts the assets involved in a PPP can be considered as non-government assets only if there is strong evidence that the partner is bearing most of the risk attached to the asset of the specific partnership. In this context, it was agreed among European statistical experts that, for the interpretation of risk assessment, guidance should focus on three main categories of risk: “construction risk” (covering events like late delivery, respect of specifications and additional costs), “availability risk” (covering volume and quality of output) and “demand risk” (covering variability of demand).

PPP assets are classified in the partner's balance sheet if both of the following conditions are met: the partner bears the construction risks and the partner bears at least one of either availability or demand risk, as designed in the contract.

If the conditions are not met, or *if government assumes the risks through another mechanism*, (e.g. guarantees, government financing) then the assets are to be recorded in the government's balance sheet. The treatment is in this case similar to the treatment of a financial lease in national accounts requiring the recording of government capital expenditure and borrowing. In borderline cases it is appropriate to consider other criteria, notably what happens to the asset at the end of the PPP contract.

The legal instrument regulating PPP’s matters is the Law on Public-Private Partnership dated 19 December 2008 (Journal of Laws No. 19/2009, item 100 with amendments) and Ministry of Economy decree on kinds of risks and elements taken into account by their assessment dated 11 February 2015 (Journal of Laws 2015, item 284).

The PPP projects are prepared in Poland on central as well as on local level. The range of the realized so far projects is not large. The Rb-Z-PPP quarterly report: on liabilities resulting from public-private partnership contracts (budgetary reporting) and media information, of which internet, are instruments for undertakings’ identification. The statistical reports: SG-01 concerns fixed assets of municipalities and F-03 concerns state and changes in fixed assets are also used. Initial information about major projects financed from the state budget is received in the context of the legal obligation to receive Ministry of Finance approval for PPP projects with estimated contractual value above 100 million zlotys.

There is no specific unit established in Poland to deal with PPPs, however there are several units dealing with the issue.

## Specific government transactions - Public Private Partnerships

Most important units that currently have PPP issues within the scope of their activities (from the point of view of legal rules, range, organization, arrangement, result analysis and promotion of PPP as a concept of the economic activity) are:

- Ministry of Infrastructure and Development,
- Ministry of Economy,
- Ministry of Finance.

The CSO representative is a member of the Group for PPP issues created by Ministry of Economy.

There are also non-governmental organisations which popularise the PPP concept, like Foundation Centrum PPP.

The theoretical basis we use for analysis of PPP projects and for their distinction from other undertakings, such as concessions, are rules defined in Eurostat decision dated 11 February 2004 and valid Manual on Government Deficit and Debt.

Important issue is that notion of PPP used in above mentioned documents is different than notion of PPP described in Polish law.

The risks connected with the projects are assessed by the public units involved (public partner) and in doubtful cases are verified by the CSO of Poland. The basis for the verification as well as for distinguishing PPPs from other types of contracts is additional information received, on the CSO request, from public units involved in projects and/or the analysis of the contracts conclusions.

CSO has noticed the appearance of the public partner guarantees.

## 7.7 Financial derivatives

This part describes the use of financial derivatives and the recording of derivative related flows in EDP tables and national accounts.

Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union does not distinguish between the ESA and EDP definition of interest. The Regulation No 549/2013 paragraph 4.47 reads: *Payment resulting from any kind of swap arrangement is recorded as a transaction in financial derivatives in the financial account, and not as interest recorded as property income. Transactions under forward rate agreements are recorded as transactions in financial derivatives in the financial account, and not recorded as property income.*

ESA2010 paragraph 20.133 specifies the treatment of so called of market swaps: *“Lump sums exchanged at inception on off-market swaps are classified as loans (AF.4) when the lump sum is received by government. Off-market swaps are partitioned in the balance sheet into a loan component and a regular, 'at-the-money' swap component.”*

### 7.7.1 Types of derivatives used

Ministry of Finance for the purpose of State Treasury debt management uses following swap transactions:

- off – market swaps,
- currency swaps.

Other general government units are not allowed to use swaps.

### **7.7.2 Data sources**

Data concerning derivatives are obtained from the Ministry of Finance on both cash and accrual basis.

There was no case of swap renegotiation.

### **7.7.3 Recording**

The swap payments received or paid in relation to off-market swaps are in the working balance of The State Budget. In EDP Table 2A all payments are eliminated and in EDP Table 3B they are reported as loans incurred or granted.

## **7.8 Payments for the use of roads**

The main issue is whether payments for road, both in the case of tolls and vignettes, should be considered as sale of services or as a tax, when the infrastructures are owned by public units. The issue is important also because the classification of payments made for the usage of roads, either as sales or taxes, influences the assessment of the 50% criterion, which is fundamental for the purpose of assessing whether a given institutional unit (in some cases, a government-controlled entity receiving the payment of the toll or vignette) is a market or a non-market producer.

Payments for the use of roads will generally be classified as a sale of a service in the case of tolls. They will also be classified as a sale of a service in the case of vignettes whenever users have sufficient choice both in terms of selecting specific roads and of choosing a determined length of time for the vignette.

According to the law in force all motorways in Poland will be payable. In the scope of motorways managed by General Directorate for National Roads and Motorways (GDDKiA) only some sections of them are currently covered by toll system for passengers cars and motorcycles.

For vehicles above 3,5 tone electronic tolls collection system "viaTOLL" is dedicated. It concerns national roads and their sections (also motorways) managed by GDDKiA and indicated in the list included in the Regulation of the Council of Ministers.

The institutional unit collecting tolls revenues is (except motorways in concession system) General Directorate of National Roads and Motorways classified in S.13. Payments are classified as a sale of services.

Motorways managed by private companies (concession system) are covered by toll systems for all types of vehicles.

## **7.9 Emission permits**

There are two main trading systems, where European Union Member States can participate:

The Kyoto Protocol is a 1997 international treaty which came into force in 2005. In the treaty, most developed nations agreed to legally binding targets for their emissions of the six major greenhouse gases.[33] Emission quotas (known as "Assigned amounts", AAUs) were agreed by each participating 'Annex 1' country,

The European Union Emission Trading Scheme (or EU ETS) is the largest multi-national, greenhouse gas emissions trading scheme in the world. It is one of the EU's central policy instruments to meet their cap set in the Kyoto Protocol. The so-called EU emission Allowance (EUA) is traded.

The ESA2010 MGDD part VI, chapter VI.5 is dealing with the statistical recording of the emission trading allowances.

There are two general government units engaged in the emission permits trading system:

- The State Budget which sells emission permits under cap and trade scheme and receives amounts collected at auctions. Revenues from selling emission permits are registered as taxes on production (D.29) in the year of surrender, basing on data from Ministry of Finance (cash receipts) and from National Centre of Emission Balancing and Management.
- National Fund National Fund for Environmental Protection and Water Management is engaged in the Assigned Amount Units (AAUs) scheme. Revenues from the trade of these permits are treated as non-produced non-financial assets.

## **7.10 Sale and leaseback operations**

Government sells an asset and immediately leases it back from the purchaser. The issue is whether the sale is to be considered as a "true sale" (transaction in GFCF improving B.9) or the transaction is to be treated differently and an asset should remain on government's balance sheet.

MGDD part VI, chapter VI.2 is dealing with sale and lease back operations

The Central Statistical Office of Poland has identified the five sale and leaseback contracts in the three local government units concluded in 2012-2014: the one contract is considered by local government unit as a financial lease, the remaining four are considered by two local government units as an operational lease. In the national accounts, according to the methodology ESA 2010, CSO classified all these contracts as a financial lease.

At present, the information about sale and leaseback transactions CSO obtains mainly from the mass media. This information is verified by analyzing copies of individual sale and leaseback contracts received from the local government units. We will regularly obtain information about sale and leaseback transactions (both from the lessee and lessor) since 2017 starting of data for 2016 (CSO reporting). In addition, CSO is currently working on the inclusion of leaseback operations to the quarterly report on the status of obligations according to debt titles, and sureties and guarantees (budgetary reporting)

## **7.11 Securitisation**

Securitisation is when a government unit transfers the ownership rights over financial or nonfinancial assets, or the right to receive specific future cash flows, to a special-purpose vehicle (SPV) which in exchange pays the government unit by way of financing itself by issuing, on its own account, asset backed bonds.

The classification of the proceeds received by government as disposal of an asset may lead to an impact on the government deficit, when the asset is a nonfinancial asset or if it is determined that a revenue should accrue. All securitisation of fiscal claims should be treated as borrowing, as well as all securitisation with a deferred purchase price clause and all securitisation with a clause in the contract referring to the possibility of substitution of assets. Also if the government compensates the SPV ex-post, although this was not required according to the contract, the operation should be reclassified as government borrowing.

ESA2010 paragraphs 20.260-20.271 establish securitisation operations accounting rules. The MGDD part V, chapter V.5 and the Eurostat decision of 25 June 2007, "[Securitisation operations undertaken by general government](#)" are dealing with securitisation operations.

## **7.12 UMTS licenses**

The sale of UMTS licenses is to be recorded as the sale of a non-financial asset (the license) at the time the license is allocated. Thus, sale proceeds have a positive effect on B.9 in the year when the license is allocated. The actual payment of cash payment does not influence the recording of this transaction.

In some special cases, the sale of UMTS could be seen as a rent for the use of a non-financial asset, recorded over the life time of the license. In this case, the impact on government B.9 is spread over the duration of the license.

The ESA2010 MGDD part VI, chapter VI.1 and Eurostat decision of 14 July 2000 on the allocation of mobile phone licences (UMTS) are dealing with the sale of UMTS licenses.

The sale of third generation mobile phone licences (the UMTS licence) is treated as a purchase of a non-financial asset. The first time it was recorded in 2000 year when the licence is allocated. It was treated as gross fixed capital formation with negative value so it has a positive effect on B.9. It was showed in EDP notifications in other accounts receivable as payments from UMTS licences. Annual payments for UMTS licences are included in working balance of The State Budget. CSO makes adjustment in Table 2A as well as in Table 3A under other accounts receivable.

## **7.13 Transactions with the Central Bank**

The management of asset portfolios and interventions in foreign exchange markets for monetary policy purposes, may generate capital gains for central banks which are liable to be distributed to general government. The amounts involved may sometimes be very large. Capital gains are not income in national accounts and therefore payments to government financed out of capital gains cannot be recorded as property income but have to be recorded as financial transactions.

It also proposes to apply the rules on capital injections when government makes a payment to the Central Bank. Such payments by government may be made to cover losses made by the Central Bank. Capital losses may occur due to foreign exchange holding losses. Operational losses may occur due to the fact that interest and other operational income do not cover operational costs made by the central bank. Capital losses can not be recorded as equity injection, therefore capital gains and losses are somehow not treated symmetrically. This asymmetrical treatment is nevertheless justified for the purpose of appropriately measuring government deficit.

In Poland information about planned payment from National Bank of Poland to the State Budget is included in budgetary law. The amount is established on the basis of information on previous year profit. The issue is covered by the law on National Bank of Poland dated 29 August 1997 with amendments. Payment is done once in a year and so far the State Budget was the only beneficiary. In general government accounts payment is treated as property income received (D.4) with impact on B.9 net lending / borrowing. Measures are taken in



order to ensure that payments to government financed out of capital gains are not recorded as property income.

So far in Poland only following cases took place:

- The payment to the State Budget was lower than the operating profit – the whole payment to government was recorded as the property income in the general government accounts;
- There was no payment to the State Budget although operating profit was observed in the National Bank of Poland– no property income was recorded in the general government accounts;
- The payment to the State Budget was higher than the operating profit – an amount equal to operating profit was recorded as property income, the difference between the payment to government and operating profit was recorded as an equity withdrawal by general government sector.

All information necessary for proper registration in national accounts (also in EDP data) of transactions between general government and the central bank is available. Profit and loss account of the central bank is received directly from the National Bank of Poland. Value of payment to the government is taken from the budgetary reporting where separate paragraph (payment from the NBP profit) is included.

#### **7.14 Lump sum pension payments**

ESA2010 paragraphs 20.273-20.275 define the accounting rules for recording of the lump sum pension payments. The related accounting rules are further described in the ESA2010 MGDD and debt Part III.6 Impact on government accounts of transfer of pension obligations.

According to changes in pension system implemented by *law on amendment of certain acts in relation to the definition of principles for pension payments from funds collected in open pension funds*, on the 3rd of February 2014, open pension funds (OFE) transferred to the Social Insurance Institution (ZUS) 51.5% of its assets as of the 31st of January 2014. At the same time 51.5% of the units recorded in the individual accounts of each member in OFE were cancelled.

These assets consisted of:

- bonds and bills issued by the State Treasury
- bonds issued by Bank Gospodarstwa Krajowego (BGK) on behalf of Krajowy Fundusz Drogowy, guaranteed by the State Treasury
- other securities guaranteed by the State Treasury
- cash.

Treasury bonds and bills were presented to the State Treasury for the acquisition. The State Treasury redeemed securities and as a result the general government debt decreased. Other assets were transferred to the Demographic Reserve Fund (inside gg sector).

All these transfers were recorded in national accounts as F.89 (Other accounts payable) without the impact on the deficit.

#### **7.15 Pension schemes**

The following codes are applicable to classification of coverage of pension schemes:

- 1) disability pensions (disability)
- 2) early retirement benefits due to reduced capacity to work (disability)
- 3) old age pensions (old age)

- |  |                |
|--|----------------|
| 4) anticipated old age pensions                        | (old age)      |
| 5) partial pensions                                    | (old age)      |
| 6) survivors' pensions                                 | (survivors)    |
| 7) early retirement benefits for labour market reasons | (unemployment) |

Categories 4, 5 and 7 mentioned above are not included in the interpretation of the expression “pensions” usually given at a national level. These categories do not exist in the Polish law. In Poland there are no benefits called “early retirement benefits for labour market reasons”. There is only a “pre-retirement benefit”. This benefit is not regarded as a pension, but as a special kind of unemployment benefit (financed from special fund for unemployment allowances).

The following table lists pension schemes in Poland. The key to the "Coverage" numbers can be also found in section 7.3.1 above, and the key for "Scheme" can be found below the table.

	<b>Scheme name</b>	<b>Coverage</b>	<b>Scheme</b>
<b>1</b>	General social security scheme (for 2006)	1. pensions from Open Pension Funds (OFE) /3/ and pensions from the Social Insurance Fund (FUS) /3/ and early retirement benefits due to reduced capacity to work /2/	A
		2. disability pensions /1/	A
		3. survivors' pensions (family pensions) /6/	A
<b>2</b>	Pre-retirement benefits and allowances scheme (for the end of 2006)	1. pre-retirement benefit /7 – on condition to answer for question 1/	A
		2. pre-retirement allowance /7 – on condition to answer for question 1/	A
<b>3</b>	Agricultural social security scheme (Agricultural Social Insurance Fund - KRUS) (for 2006)	1. pensions /3/	A
		2. disability pensions /1/	A
		3. survivors' pensions (family pensions) /6/	A
<b>4</b>	Employee pension programs (for 2006)	Pensions /3/ or one-off benefit	B

The key codes for "Scheme" above are as follows:

- A. social security schemes;
- B. private funded schemes administered by insurance companies or autonomous pension funds;
- C. private funded schemes operated by employers, which maintain special reserves (segregated from other reserves)
- D. private unfunded schemes operated by employers (without special reserves).
- E. social assistance;
- F. other insurance.

Currently there is no social insurance pension, whose participants may include non-employed and un-employed in Poland. The level of contributions to existing schemes in principle depends on salaries. In general, in the social security scheme, there is a possibility of a voluntary continuation of insurance for 8 years after the end of employment. In case of some categories of persons there is a possibility of voluntary accession to insurance. For obvious

reasons it does not refer to schemes included in the sub-categories E and F from the classification of pension schemes. The participation is independent from employment.

None of social security pension schemes in Poland covers the entire community and there is in Poland no pension scheme established especially for the participation of civil servants.

In the standard pension system there are not included uniformed employees dependent Ministry of Justice, Ministry of National Defense and Ministry of the Interior. The principles of paying pensions are regulated by law on retirement benefits for soldiers and their families dated 10 December 1993 and law on retirement benefits for officers of the Police, the Internal Security Agency, Secret Service Agency, Military Counterespionage Service, Military Intelligence Service, Central Anti-Corruption Bureau, Border Guards, Government Protection Bureau, State Fire Service, Prison Service and their families dated 18 February 1994.

In the "old pension scheme" (which was changed) there are regulations for some professions. Persons who were born after 31 December 1948 and did not choose to join the full "new pension scheme" – including to Open Pension Funds (obligatory funded pillar) – have remained in this "old pension scheme". Thus, this scheme is expiring. These particular regulations concern professions, which could be treated as: civil servants, teachers, soldiers, policemen and prisons employees.

Pension schemes established by employers on the basis of Employee Pension Programs Act belong to the sub-category B. These schemes are established by employers, but managed by insurance companies, mutual funds or autonomous pension funds. The word "manage" in this case means to be directly responsible for the investment of funds. This feature distinguishes sub-category B from sub-category C, defined as "private funded schemes operated by employers, which maintain special reserves (segregated form other reserves)". In this last case, employer is directly responsible for the investing of scheme funds.

According to this definition, employees and owners of companies, in which private funded schemes are operated by employers, potentially could be participants in the scheme.

The population covered includes those persons who are employed in companies, which run this kind of schemes, if those persons decide to participate in them.

In principle, participation in this kind of scheme is encouraged by government and employers.

In Poland there are no non-profit institutions which encourage (or oblige) to participate in a social insurance scheme. The concept of "mutual benefit societies" includes mutual insurance societies running under the Insurance Business Act.

The Polish „old pension scheme” is a defined benefit scheme and government was the owner of the funds. The „new pension scheme” consists of two parts: a pay-as-you-go (PAYG) component and a funded component. Both parts are based on defined contributions. The first component (PAYG) is supported by the Social Security Fund, which is public. The second (funded) component is supported by the Open Pension Fund.

Since 1999 when the reform of pension system had been introduced, Social Insurance Institution (ZUS) collected social security contributions and divided into two parts: the component remaining in ZUS (12,22%) and the component transferred to Open Pension Funds (7,3%).

A further important changes that have an impact on the current shape of the pension system have taken place in the years 2011, 2012 and 2014.

From May 2011, reform implemented in the ZUS additionally (next to individual's account) a new individual, notional accounts so-called sub-account. The total contribution transferred

to OFE was reduced from 7.3% to 3.5%. It has been split between the First and the Second Pillars. The sub-account were established for the portion of contributions that was initially diverted to OFE. It is indexed annually by the average annual GDP growth rate in current prices from the last 5 years. In addition, catalogue of products related to voluntary saving for retirement under the Third Pillar has been extended by a new product – individual retirement savings account (IKZE).

However, the reform of 2012 introduced the increase in contribution rate for disability and survival system. The main purpose of the reform is reduction of the deficit of pension system without increasing expenditures. Another change was the increase of the retirement age both for women and men.

The reform of 2013 introduced significant changes in the functioning of the Second Pillar and set out principles and method of payment of old-age pensions from the First Pillar.

On 3 February 2014, 51.5% of the accounting units recorded in the individual account of each OFE member were redeemed (all government bond investments are transferred from OFE to the ZUS), and their equivalent was registered on the sub-account in the ZUS. During the ten years preceding reaching retirement age by member of OFE, the remaining assets in OFE will be gradually transferred to the ZUS and will be made integrally by ZUS with the same formula as in the First Pillar. Such solution was introduced as “safety slider”. Its main purpose is to enhance stability and security of accumulated fund.

In addition, the reform introduced the new rate of old-age pension contribution transferred to OFE, equals to 2.92% of the basis of old-age pension contribution. The remaining part of the old-age pension contribution under the Second Pillar, amounting to 4.38% of the basis of pension contribution, is recorded in the sub-account in the ZUS and indexed annually by the average annual GDP growth rate in current prices from the last 5 years. The reform also introduced voluntary participation in the Second Pillar. All new insured persons will have to opt into the Second Pillar. Those who fail to do so will participate in the First pillar only. The current insured persons had four month (from 1 April to 31 July 2014) to submit a written request to remain in the Second pillar. The next opportunity will be in 2016, and further opportunities will take place every four years. Such solution was introduced as “transfer window”. Its main purpose is to reduce the budgetary cost of pension system.

In the PAYG component of Polish pension system there is “Demographic reserve fund”. Payments to this fund are made as a component of current contributions to the PAYG component of the system. The assets will be used in the period when payments exceed contributions due to demographic trends. In national accounts it is classified in the social security sub-sector. In this fund there are also kept financial assets (except of State transferred from OFE).

The Polish social insurance scheme is not fully consistent with the way that ESA2010 describes defined benefits and defined contributions schemes. In the PAYG component the amounts in individual accounts are adjusted in following the inflation rates and in the funded component the amounts are increased by investing. Both components are based on defined contribution principle, as this term is usually understood. In a standard / funded defined contribution scheme, the current market value of the fund's assets are also its liabilities. In the Polish system, there is a state budget guarantee for a minimum level of pension benefit for both obliged components. This means that state budget ensures benefits payments at a minimum level, if the protected person does not accumulate sufficient amount of funds from both parts (PAYG and funded).

In Polish pension scheme, the investment risk is on the participants units supporting the scheme and the government.

As for borderline cases there is in Poland a pension scheme based on the principle of social security. As such a system could be treated in the system of open pension funds. The conditions presented in the question are fulfilled with reference to basic pension benefit. The new pension system in Poland has been constructed in such a way, that the basic pension benefit will come from both PAYG, as well as funded component. Both unfunded /PAYG/ and funded /OFE-s/ parts are based on defined contribution principle. That is why, in the context of the question, we could only take into consideration the exposure to investment risk in funded component of this system.