

DŁUG
publiczny:

734 861 162 841 PLN

The coalition for reduction of the public debt

www.dlugpubliczny.org.pl

The coalition for reduction of the public debt

In 2010 FOR took a lead of coalition of 6 NGOs and started a public campaign against the rising public debt. Later we were joined by more than 40 other organizations.

Studenckie Forum
■ Business Centre Club

FOR
CIVIL DEVELOPMENT FORUM

 POLSKA
przedsiębiorcza

 Samorząd
Studentów
SGH

 Polska Młodych

Lewiatan
FORUM MŁODYCH 

The Public Debt Clock

- The most visible part of the campaign is “Public Debt Clock” in the very center of Warsaw, displaying constantly the changing total public debt and public debt per capita



The Public Debt Clock

- The Public Debt Clock shows an estimated value of the national debt, calculated on the basis of the quarterly-delayed data published by Polish Ministry of Finance



- The status of the Public Debt Clock is regularly upgraded after every publication of new official statistics.

Location of the Public Debt Clock

- „The Public Debt Clock” is located in the heart of Warsaw at the crossroad of Marszałkowska and Aleje Jerozolimskie streets. It is the busiest intersection of the Polish capital.



Location of the Public Debt Clock

- Our “Public Debt Clock” is situated close to such landmarks as the main railway and underground stations, The Palace of Culture and Science, popular shopping malls, corporate skyscrapers and prestigious hotels. The number of people passing that place monthly is estimated at 6 million people!



The Public Debt Clock Online

- „The Public Debt Clock” is also available online - www.dlugpubliczny.org.pl - with breakdown of governmental revenues and expenditures, recommended publications, etc.

The screenshot shows the website interface for 'DŁUGPUBLICZNY.ORG.PL'. The browser address bar displays 'www.dlugpubliczny.org.pl/pl'. The main header features the site logo and two key statistics: 'Dług publiczny Polski: 784 595 170 111 PLN' and 'Dług w przeliczeniu na mieszkańca: 20 602 PLN'. A dark red navigation bar contains links for 'O PROJEKCIE', 'METODA LICZENIA', 'ABC DŁUGU', and 'KONTAKT'. Below this, a year selector shows '2010 prognoza' selected. The main content area is divided into two columns. The left column, titled 'Ile państwo wydaje', shows a table of government expenditures. The right column, titled 'Ile państwo dostaje', shows a table of government revenues. A third section on the right, 'Zadłużające liczby', displays '1 mld zł' for the period '2011-03-10' and includes a small photo of an elderly couple.

Ile państwo wydaje			
	w mld zł	na miesz- kańca w zł	na pra- cującego w zł
Ogółem wydatki sektora finansów	653.10	17 145	40 954

Ile państwo dostaje			
	w mld zł	na miesz- kańca w zł	na pra- cującego w zł
Dochody podatkowe	277.38	7 282	17 393
VAT, akcyza	160.50	4 214	10 065

Zadłużające liczby
1 mld zł
2011-03-10

The Public Debt Clock Online

DEUGPUBLICZNY

DŁUGPUBLICZNY
.ORG.PL

Dług publiczny Polski: 784 595 861 979 PLN

Dług w przeliczeniu na mieszkańca: 20 602 PLN

O PROJEKCIE



METODA LICZENIA



ABC DŁUGU



KONTAKT



2005

2006

2007

2008

2009

2010 prognoza

Ile państwo wydaje

	w mld zł	na mieszkańca w zł	na pracującego w zł
Ogółem wydatki sektora finansów publicznych (ESA95)**	653.10	17 145	40 954
Wydatki sektora finansów publicznych (MF)*	640.52	16 815	40 165

Ile państwo dostaje

	w mld zł	na mieszkańca w zł	na pracującego w zł
Dochody podatkowe	277.38	7 282	17 393
VAT, akcyza	160.50	4 214	10 065
CIT	34.01	893	2 133
PIT	63.64	1 671	3 991
Dochody niepodatkowe	223.71	5 873	14 028
dywidendy	4.22	111	265
Dochody ogółem sektora finansów publicznych (MF)*	560.51	14 715	35 148
Dochody sektora finansów publicznych (ESA95)**	540.70	14 195	33 905

* MF metodologia krajowa stosowana przez Ministerstwo Finansów - według ustawy o finansach publicznych

** ESA95 - metodologia stosowana przez Komisję Europejską i Eurostat

Zadłużające liczby

1 mld zł

2011-03-10



o tyle poprawi się saldo finansów publicznych w 2013 roku, jeśli najpóźniej w przyszłym roku wejdzie w życie ustawa stopniowo podnosząca wiek emerytalny kobiet i mężczyzn. »

Archiwum

Dług Europy



Więcej

Publikacje

2011-02-16

przyspieszyć rozwój

Jak

Deficyt / Dług

	w mld zł	na mieszkańca w zł	na pracującego w zł
Deficyt budżetu państwa (MF)*	52.21	1 371	3 274

The Public Debt Clock Online

Ogółem wydatki sektora finansów publicznych (ESA95)**	550.65	14 439	34 851
Wydatki sektora finansów publicznych (MF)*	534.00	14 003	33 798

* MF - metodologia krajowa stosowana przez Ministerstwo Finansów - według ustawy o finansach publicznych

** ESA95 - metodologia stosowana przez Komisję Europejską i Eurostat

Dochody sektora finansów publicznych (ESA95)**	504.02	13 216	31 900
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Publikacje



2011-02-16

Jak przyspieszyć rozwój Polski i uratować reformę emerytalną?

Prezentujemy raporty FOR "Jak przyspieszyć rozwój Polski i uratować reformę emerytalną?"

Aby uratować reformę emerytalną i uniknąć przekroczenia przez dług publiczny progu 55% PKB wystarczy w najbliższych miesiącach przeprowadzić 7-8 dużych prywatyzacji (...)

[Więcej](#)

Polecane

A Historical Public Debt Database

2010-11-10

This Time is Different: A Panoramic View of Eight Centuries of Financial Crises

2010-10-26

Will it hurt? Macroeconomic effect of fiscal consolidation

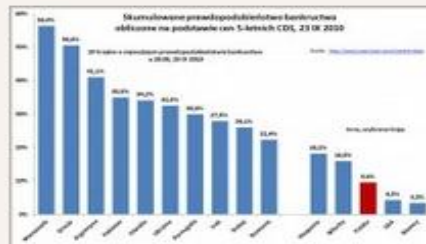
2010-10-22

[Więcej](#)

Deficyt / Dług

	w mld zł	na mieszkańca w zł	na pracującego w zł
Deficyt budżetu państwa (MF)*	24.35	638	1 541
Deficyt sektora finansów publicznych (ESA95)**	46.89	1 230	2 968
Dług sektora finansów publicznych (ESA95)**	600.83	15 755	38 027
Państwowy dług publiczny (MF)**	597.76	15 675	37 833

Ciekawe wykresy



[Więcej](#)

Dług Europy



[Więcej](#)

Komiksy / Animacje



[Więcej](#)



LISTA KOALICJANTÓW



The Public Debt Clock in the media

- The launch of the debt clock was widely commented on the front pages of all important dailies in Poland. It included most influential titles like *Gazeta Wyborcza* (second-largest daily newspaper), *Metro*, *Dziennik Gazeta Prawna* and *Puls Biznesu* (the most popular business newspaper). Many articles and comments also appeared in these newspapers during the debate sparked by our debt clock.

The Public Debt Clock in the media

- Front pages of *Dziennik Gazeta Prawna*, *Metro* and *Puls Biznesu*.



The Public Debt Clock in the media

- The launch of the Public Debt Clock was shown in the major news programmes on television: Teleexpress, Wiadomości (TVP1), Panorama (TVP2), Fakty (TVN), Wydarzenia (POLSAT)
- And on the radio: RMF FM, Radio ZET, I & III Program Polskiego Radia, Radio PiN, ESKA

Polityka's Events of the year 2010

Hesz ludzie i wydarzenia 2010

Nowym prezydentem, gdy Donald Tusk wycofał się z walki, członkowie Platformy wybrali nam w wyborach prezydenta - Bronisława Komorowskiego. W sierpniu 53 proc. społeczeństwa potwierdziło ten wybór i na nic zdała się przemiana Jarosława Kaczyńskiego, który kandydował pod hasłem „zakończenia wojny polsko-polskiej”. Prezes PiS wciąż uważa, że elekcja nastąpiła przez pomyłkę i nazywa głowę państwa „panem Komorowskim”. Prezydent nie dał się sprowokować, wybrał poważną politykę - w grudniu spotkał się z prezydentami: Dmitrijem Miedwiediewem, Barackiem Obamą i Christianem Wulffem.



To był rok kobiet i z tego powodu jest godny zapamiętania. Zgromadzenie Parlamentarne Europy oficjalnie przyznało, że Ewa Kopacz miała rację nie kupując szczepionek na świnią gripę. Czerwcowy Kongres Kobiet, pod hasłem „Kobiet dla Polski - Polska dla kobiet”, na dobre wprowadził kwestię parytetów do debaty publicznej. Potem Henryka Krzywonos (na zdjęciu obok Jolanty Kwaśniewskiej, także aktywnej uczestniczki Kongresu Kobiet) miała odwagę powiedzieć na 30-lecie Solidarności, że „krew ja jasniła zalewa, bo pan Jarosław obraża nas wszystkich”, i że teraz „prawdziwa Solidarność to jest u niej w domu”. Parlamentarzyści nie okazali się solidarni z kobietami, bo zagwarantowali jedynie 35 proc. miejsc na listach. W wyborach samorządowych Hanna Gronkiewicz-Waltz już w pierwszej turze pokonała licznych męskich konkurentów, a w rządzonej od wielu lat przez panów Łódź zwyciężyła Hanna Zdanowska. Choć Partia Kobiet nadal nie odgrywa roli w polityce, to w powstającej partii Polska Jest Najważniejsza najważniejsze wydają się właśnie kobiety.

- *Polityka weekly* acknowledged the „Public Debt Clock” as the most important economic event of 2010. The information concerns the fact, that the “Public Debt Clock” was launched by Prof. Leszek Balcerowicz (Founder and Council President of the FOR Foundation) in September 2010.

Polityka's Events of the year 2010

KRAJ



Test samorządowy. W listopadowych wyborach Platforma poprawiła swój stan posiadania w sejmikach luzyska 30 proc. mandatów. PiS miał mniejszy dystans do PO, niż dawały sondaże, bo tylko 8 proc. SLD (15 proc.) utrzymał zdolność koalicyjną, ale to na nic, bo PiS, przebił go jednym procentem. Tak naprawdę to wybory samorządowe przegrał tylko Jerzy Kropiwnicki, którego na początku roku w referendum łódzianie wyprosił z urzędu. I już nie miał odwagi startować. Uznano więc, że każdy wygrał we własnej kategorii i tym samym każdy dał komuś kosa.



10 kwietnia 2010 r. Śmierć prezydenta Rzeczypospolitej, jego małżonki, kilkudziesięciu członków polityków, posłów, duchownych, generałów, urzędników i wszystkich osób towarzyszących Lechowi Kaczyńskiemu w drodze do Katynia wstrząsnęła Polską i wywołała głębokie poruszenie całego świata. Ten dzień wywrócił polską politykę. Wymusił wcześniejsze wybory prezydenckie i szereg innych zmian w państwie. Tragedia nadała smutny ton życiu politycznemu, ale zarazie wzmocniła i umiaru ustąpiły tak szybko jak przesiąkła mgła unosząca się nad smoleńskim lasem.

DŁUG publiczny: 738 893 978 941 PLN

Dług. Pod koniec września, w samym centrum Warszawy, ruszył licznik długu publicznego zainstalowany przez Fundację Obywatelskiego Rozwoju (FOR) Leszka Balcerowicza. Na początku pokazywał, że dług Polski przekracza 724 mld zł, czyli 19 tys. zł na jednego mieszkańca kraju. Dziś, po dwóch korektach wynikających ze zmian kursowych i z nowych danych napływających z Ministerstwa Finansów, wzrósł o blisko... 40 mld. Teraz każdy Polak ma teoretycznie do spłacenia ponad 20 tys. zł. Pędzące cyfry grożą i ostrzegają: rodacy, trzymajcie się za kieszeń.



Na scenie politycznej drgnęło, ale nie na tyle, by ponosić premiera Tuska i prezesa Kaczyńskiego. Januszowi Palikotowi trudno było wyjść z PO, a gdy w końcu się zdecydował, to trudno mu teraz wejść do mediów. PZPi pod przewodnictwem Joanny Kluzik-Rostkowskiej łatwo wyszła z PiS, ale PiS jakdot z PZPi wyjść nie może. Sondaże pokazują, że Ruch Poparcia Palikota rusza się raczej słabo, a i Polska nie Jest Najważniejsza.

DŁUG publiczny: 738 893 978 941 PLN

Dług. Pod koniec września, w samym centrum Warszawy, ruszył licznik długu publicznego zainstalowany przez Fundację Obywatelskiego Rozwoju (FOR) Leszka Balcerowicza. Na początku pokazywał, że dług Polski przekracza 724 mld zł, czyli 19 tys. zł na jednego mieszkańca kraju. Dziś, po dwóch korektach wynikających ze zmian kursowych i z nowych danych napływających z Ministerstwa Finansów, wzrósł o blisko... 40 mld. Teraz każdy Polak ma teoretycznie do spłacenia ponad 20 tys. zł. Pędzące cyfry grożą i ostrzegają: rodacy, trzymajcie się za kieszeń.

The Public Debt Clock in popular culture

- The theme of the debt clock has started to appear in popular culture (e.g, an episode about debt clock in a famous Polish sitcom „Świat według Kiepskich”)



Source: www.ipla.tv

Basics of Public Debt

- The launch of the “Public Debt Clock” in September 2010 was followed by the publication of the *Basics of the Public Debt* – series of 20 short articles answering most frequent questions (“why public debt is bad?”; “what can we do about it”?). It was published in the popular free newspaper *Metro* and online. Onet.pl (popular website) published *Interesting figures* showing the scale of unnecessary public expenditures.
- Our cyclical projects (educational comics and economic seminars) were also devoted to a large extent to the subject of the public debt and government expenditure.

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The Basics of the Public Debt

1. Why is the Polish public debt dangerous?

- The biggest problem is the debt's rapid rate of growth for the simple reason that the higher the debt, the higher the cost of its maintenance. If Poland is viewed by investors as a country that may have problems paying off its debt in the future, it will become more difficult for us to find buyers for our bonds. We could then continue becoming more indebted but at worse conditions (higher interest rate).
- If the public debt stops growing and stabilizes at the current level of around 50 to 55 per cent GDP then, given favorable circumstances, we could keep rolling it over indefinitely.* But this too has a high price – in 2010 alone **the cost of maintaining the public debt will be more than 38 billion zloty**. This is the equivalent of over 900 km of highways – more than we have built in 20 years. And this is just the cost of maintaining the debt for one year! That is why we must reduce the debt.

**Rolling over a debt means paying off treasury bonds due for payment not from savings but from a new debt.*

2. What is the difference between the public debt and a budget deficit?

- There is a significant difference between the public finance sector and the budget.
- Public finances include the government budget, municipal budgets and many different non-budgetary funds, the largest of these being FUS (the social insurance fund).
- The public debt is the sum of debt from those three sources. **At the end of 2009, the total debt amounted to around 670 billion zloty.** Of this, 624 billion zloty was generated by the central government, 39 billion zloty by municipalities and seven billion zloty by FUS.

2. What is the difference between the public debt and a budget deficit?

- Our national public debt definition is slightly narrower than that of the EU. Eurostat, the EU statistical bureau, also adds for example obligations incurred by the National Road Fund. According to the most recent government forecast, the public debt will be 751 billion zloty (53.2 per cent of GDP) by the end of 2010 whereas according to EU calculations it will be 783 billion zlotys (55.4 per cent of GDP).
- The budget deficit is the difference between government's expenses and revenues in a given year. The budget deficit is a part of the public finance deficit, which also encompasses municipal deficits and extra-budgetary funds (i.e. FUS). Every year the public debt grows by the portion of the budget deficit, which is financed by credit (emission of bonds and treasury obligations), rather than revenues from the sale of public assets.

3. What is a safe level of debt and deficit?

- The smaller the debt (the public debt being the sum of loans taken in the past by the government, municipalities and other public institutions) and the deficit (the difference between the expenditures and the revenues of the government, municipalities and other public institutions in a given year) the better. Still, it is hard to assign concrete optimum values. In 2010, Romania and Latvia were in danger of bankruptcy and they had to receive international aid from the IMF and the European Commission. According to the latest European Commission estimates from spring 2010 Romania's public debt for 2010 will reach 30.5 per cent of GDP while the deficit is at eight per cent of GDP.
- The analogous values for Latvia will amount to 48.5 per cent of GDP and 8.6 per cent of GDP. At the same time, Great Britain was borrowing money to finance its deficit, which in 2010 is supposed to amount to 12 per cent GDP with a debt reaching 79.1 per cent without major problems (although there is currently a discussion about fixing public finances in the UK). Where does this difference come from?

3. What is a safe level of debt and deficit?

- The UK is one of the most developed countries in the world, which has been paying off its debts regularly for the past several hundred years. The last time the UK had to restructure its debt was in the 1930s. On the other side, Latvia is a relatively poor country, which has only been on the map of Europe for the past 20 years. Romania's credit credibility is also not much better – this country did not pay off its foreign debts in the years 1933 – 1958, 1981 – 1983 and 1986.
- Also, the perception of a “safe” level of debt and deficit is constantly changing. Before the financial crisis investors were happy to buy Greek bonds and weren't bothered by the fact that the Greek debt was hovering around 100 per cent. After the eruption of the financial crisis investors became considerably more nervous, the country's deficit rose and Greece found itself on the verge of bankruptcy.

4. Can the Polish debt be paid off?

- Before we get to debt repayment, we have to first slow down and then halt the debt's rise. In the past, a few countries managed to stop the growth of indebtedness and in doing so, considerably lowered their debt to GDP ratio. Examples for Poland could be:
 - Chile, which in 1989 – 1998 reduced the public debt from 46.2 per cent to 12.9 per cent GDP. The reduction of the public finance deficit was responsible for more than half of this drop while the rest was accounted for by the rise in GDP.
 - Turkey, which in the years 2001 – 2007 reduced its public debt from 77.6 per cent to 39.4 per cent of GDP. As much as 70 per cent of this reduction was accomplished by lowering the deficit (mainly by raising taxes), whereas 30 per cent was caused by rising GDP.
 - Bulgaria, which in the years 1998 – 2009 reduced the public debt from 96.4 per cent of GDP to 18.7 per cent of GDP. Half of this drop was a result of lowering the deficit (mainly through limiting spending) while the rest came from rising GDP.
 - South Africa, which in 1998 – 2008 reduced its public debt from 57.2 per cent of GDP to 22.5 per cent of GDP. In this case, the main cause was the rapid growth of GDP but lowering spending also had a significant effect.

4. Can the Polish debt be paid off?

- An analysis of the experiences of countries that had the largest public debt reductions in relation to GDP has allowed us to derive several general results.
- First of all, in developing countries more than half of this improvement resulted from the quick rate of economic growth whereas about a third resulted from curbing the public deficit.
- Secondly, a lasting fall in the public finance deficit resulted on average from a 70 per cent reduction in public spending and only 30 per cent from raising taxes.
- Thirdly, in developed countries nearly the whole reduction of the public debt to GDP ratio resulted from a decrease in the public finance deficit, which was in equal measure caused by a cut in spending and a hike in taxes.

5. Is most of the Polish debt foreign?

- No. At the end of 2009 the public debt was 670 billion zloty of which foreign debt accounted for 250 billion zloty. The remaining 420 billion zloty were a debt to national financial institutions and individual investors. It should be noted, that foreign investors not only purchase Treasury bonds denominated in foreign currencies but also those denominated in Polish zloty. In effect, at the end of 2009 the foreign debt of the public finance sector was almost 75 billion zloty larger than the indebtedness of the country resulting from emitted bonds and credit drawn in foreign currencies.

- Poland's entire foreign debt is not only made up public debt owned by foreign entities but also the private debts of Poles and Polish companies in foreign currencies. Except for the above-mentioned 250 billion zloty of foreign-owned public debt, Poland also had an additional 550 billion zloty foreign debt of which:
 - 176 billion zlotys were the debts of the banking sector
 - 15 billion zlotys were borrowed by NBP (the national central bank)
 - 357 billion zlotys were borrowed by private investors and companies

6. When did this public debt arise? Maybe the debt should be paid off by the generations that are mainly responsible for generating it?

- Almost half of the public debt was generated in the last 10 years. In 2000, the Polish debt was only 365 billion zloty (in 2010 adjusted zloty) and it is supposed to get to 751 billion at the end of 2010.
- A considerable portion of this rise in the public debt results from the gradual disclosure of future pension obligations. From 1999 until 2009 ZUS (the Polish social insurance and pension fund) moved more than 140 billion zlotys in pension payments to OFE (the market-based pension funds) and was refunded this amount from the national budget. If these funds had stayed in ZUS then our registered public debt as published by GUS (the national statistical agency) and Eurostat would be smaller than at present but our hidden debt would be larger. A country's entire debt is the sum of its official debt, which results from the emission of bonds and obtaining credit and the debt hidden in the pension system. An incremental disclosure of pension obligations – or the hidden debt – increases the transparency of public finances. Between the years 1999 to 2009, the amount of refunded pension obligations combined with interest increased the registered public debt by approximately 170 billion zlotys (13 per cent of GDP).

6. When did this public debt arise? Maybe the debt should be paid off by the generations that are mainly responsible for generating it?

- The rapid increase of the public debt over the last three years is due to two factors:
 - ▣ The global financial crisis and the economic slowdown in Poland, which caused a decrease in tax revenue and an increase in public spending (for example for unemployment benefits).
 - ▣ Cuts in taxes and contributions by the previous government. This was not accompanied by a proportional decrease in public expenditures, and in effect, the massive budgetary hole has to be patched up with loans and revenues from privatization.
 - ▣ Our debt in relation to GDP was the lowest in the year 2000 (37.6 per cent) and from that time on it has been rising quite systematically. This year will see it rise to the 55 per cent level.

7. Can a country go bankrupt? What happens then?

Is there is a debt collection agency that can take over a country's wealth?

- Colloquially we talk about a country's bankruptcy when it is not able to make its debt payments on time. As opposed to companies, for which bankruptcy means disappearing from the market (the closure of a firm), contemporary bankruptcies of countries do not signify their liquidation. National governments have the right to levy taxes to pay off an outstanding debt, which generally means a longer payback time than originally planned. This is why it is more appropriate to describe the problems countries have with debt repayment as a loss of financial liquidity or a temporary inability to pay.
- The consequence of losing liquidity or being unable to pay back debts is in a significant way determined by the nature of the country's creditors. For example, in mid-2010 the national public debt in Poland was 721 billion zloty of which 520 billion zlotys was debt incurred in Polish zloty while 201 billion zloty was incurred in foreign currencies. In reality our obligations towards foreign investors were larger because aside from currency obligations they also owned close to 100 billion zloty in obligations denominated in zloty.

7. Can a country go bankrupt? What happens then?

Is there is a debt collection agency that can take over a country's wealth?

- A country can always suspend the payment of debts incurred in the national currency or a foreign currency. In the first case, governments can make it easier to pay off debt allowing inflation to rise. In this way they lower the real value of the debt. The weight of this kind of maneuver is borne by all investors who bought bonds denominated in the national currency as well as all citizens in possession of cash.
- When a country suspends the payment of its foreign debt it has to take into consideration the fact that in the future it will be avoided by investors. Who wants to invest in a country that doesn't pay off its debts? This country might also have problems with entering international agreements. The problems with getting foreign loans will also be borne by the country's businesses.
- Countries that have problems paying off their debts try to restructure their debt. This usually means a longer repayment period, temporary aid from other countries or multi-national institutions in order to obtain more loans (for example at a lower interest rates) or eventually the cancellation of a part of the debt.

8. Germany, Great Britain, France and Italy all have a higher debt to GDP ratio than Poland. So our situation is not that bad – maybe we are unnecessarily worrying about our debt?

- First of all, the growing debt in the developed economies of Western Europe is also unnerving public opinion, politicians and economists. The new British government is implementing an austerity program that is supposed to bring the UK public finance deficit down from over 10 to two per cent of GDP between 2010 and 2015 and that will cost half a million workers on the government payroll their jobs. The Germans wrote into their constitution a near complete prohibition of running a deficit due to come into effect in 2016 on the federal level and 2019 on the lande (provincial) level. Even France has started to save by raising their retirement age slightly.

8. Germany, Great Britain, France and Italy all have a higher debt to GDP ratio than Poland. So our situation is not that bad – maybe we are unnecessarily worrying about our debt?

- Secondly, western countries are not only richer than us but also considerably more trustworthy for investors in the financial market. It would be better to compare Poland with other countries in the region that have a similar GDP per capita.

Poland doesn't measure up well in this kind of comparison:

- ▣ Only Hungary has a higher public debt to GDP ratio and they would have bankrupted without international help.
- ▣ Only Latvia, Lithuania and Romania have higher public finance deficits and of those, only Lithuania didn't need the help of international institutions.

8. Germany, Great Britain, France and Italy all have a higher debt to GDP ratio than Poland. So our situation is not that bad – maybe we are unnecessarily worrying about our debt?

- Thirdly, Poland is still a developing country. A high public debt halts the rate of growth in Poland and in effect lengthens the amount of time it will take to catch up to developed countries. Instead of spending public money on, for instance, roads and education we are spending around 2.5 per cent of GDP only on debt interest. Nowadays, Poland pays bondholders one of the highest interest rates among EU countries. Aside from that, the country's growing debt limits the amount of funds that financial institutions set aside for business loans. In effect, a high public debt halts private investments in the economy, which also limits the rate of Poland's development.

9. Where does the Polish government hide debt? How do EU and Polish methodologies differ?

- According to the latest forecast by the European Commission (from Nov. 2010) the Polish debt at the end of 2010 will be 785 billion zlotys, so 55.5 per cent of GDP. At the same time our government keeps telling us that we are not in danger of crossing the legal public finance debt threshold of 55 per cent GDP. At the end of the year, the debt is supposed to be “only” 751 billion zlotys so 53.2 per cent. Where does this difference come from?
- The Polish government and the European Commission have different definitions of the public debt. The key difference is the classification of the National Road Fund (NRF), which according to the Commission is a part of public finances while according to our government it is not. Unfortunately, the European Commission is right because the debt incurred by the NRF has to be paid off by Polish taxpayers. Besides, the Polish government agrees somewhat with the Commission and they calculate the debt according to both the national and the EU methodologies. So why all this confusion?

9. Where does the Polish government hide debt? How do EU and Polish methodologies differ?

- The national methodology was designed for the sole purpose of lowering the risk of crossing the cautionary threshold of 55 per cent, which obligates the government to implement concrete and mandatory savings (ie. freezing public sector wages, raising pensions and welfare payments only according to inflation). Since savings are not popular, the government would rather change the definition of the debt.

10. The government announced that it negotiated this change in debt calculation with the European Commission. What can these changes mean for the size of the Polish public debt?

- The announcement about the European Commission's more elastic approach to calculating the size of the deficit and the public debt does not mean any changes in the actual accounts of our obligations. Eurostat will continue to list all of our Treasury's bonds, regardless of whether they were emitted into order to refund OFE contributions or to cover other budgetary expenditures (ie. contributions to KRUS). The proposition of the European Commission's leadership is that countries, which have mandatory capital funds are supposed to be treated more gently in terms of the Stability and Growth Pact criteria. Up until now, however, no binding decisions have been made.
- The refund of the OFE transfers are nothing more than paying off obligations to current pensioners. Because the people who are working today are saving a portion of their incomes in OFE, ZUS has less money to pay the pensions of today's retirees. In the future, the public expenditures on pension payments will be smaller than if we only pay pension contributions into ZUS. If however we do not note the rise in public expenditure, our future cost of buying back bonds issued today to refund OFE contributions will be higher.

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- If the European Commission were to agree to fully exclude these costs it would only be an accounting exercise. As long as the refund of OFE transfers is not covered from a budgetary surplus (such as revenues from privatization) it will increase our need to borrow. Polish taxpayers will keep paying interest on the whole debt, which they will still have to repay in the future.
- The reaction from Brussels inspires the following reflection: instead of decreasing the value of the public debt in strictly an accounting sense, it would be more appropriate to begin a process through which all EU countries are obliged to disclose the value of their obligations towards future retirees. Poland has disclosed a lot more of these obligations than the remaining EU countries. However, it would be much more difficult to get the member states to agree to this kind of solution.

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