



Przedstawiamy drugie wydanie Newsletter WSB-NLU

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Redakcja

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## Polecamy



Otwarcie **MMC**  
**Brainville**  
16.05.2014

Wszystkich zainteresowanych zapraszamy na **DZIEŃ OTWARTY** do Parku Technologicznego **MMC Brainville** w sobotę dnia 17 maja 2014 w godzinach od 10.00 do 18.00

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Centrum **Innowatyki** zaprasza na konferencję **"Naukometria i nauki o zarządzaniu dla innowacyjnej przedsiębiorczości"** 17.05.2014

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Rekrutacja na kursy **CISCO**

**OSTATNIE WOLNE MIEJSCA!**

Uprzejmie informujemy, że **Akademia Sieciowa CISCO WSB-NLU** uruchomiła rekrutację na następujące kursy CISCO:

- CCNA1:** Networking Basics
- CCNA2:** Routers and Routing Basics
- CCNA3:** Switching Basics and Intermediate Routing
- CCNA4:** WAN Technologies

Pavel Paulau

## Being an international student

It takes a lot to pack your stuff and go get education abroad for next three or five years. Most of the people, before they turn eighteen or nineteen, don't even know how does it feel to be not in their home town for more than a two weeks. And if they travel, they do it together with parents or friends, people they now and would help them to avoid the stress of leaving usual living environment. I think it's the cause of stress for young people going to study abroad. It doesn't matter to how many people you would speak, how many articles you read, how many videos you watch - there is just no way one could be prepared for this. It gets even worse for people who have started studying in their home country, getting up with their lives, got their first job, got their ambitious dreams and etc., and suddenly had to give it all up. Like in my case.

Belarus is the only European country that is not a member of The Bologna Process. There are many reasons for that, as to me - most of them are political. It's not like joining the The Bologna Process would involve too much financing, but it would certainly cause much of bureaucracy. Anyway, Belarus is not going to become a member of The Process for next five years, that's for sure. Due to this Belarusian students don't have opportunity to go for Erasmus or any other exchange program to another country for one semester, like for example Ukrainian or Russian students do. Also, there are no bachelor or masters degrees in Belarusian education system, students have to study for full five years in order to get a diploma of higher education.

I graduated from school after ninth grade and enrolled in technical school. While I was studying there, ministry of education introduced a new system of entering the university. Previously, applicants had to choose the university they wanted to enter and then pass exams there. New system implied that all of the applicants had to pass centralized testing in several subjects by chose. After, there were given certificates. In order to apply to any university any applicant should've passed at least three testings. For example, economic universities demanded certificates of foreign language, math and either russian or belarusian language. Maximum score for one testing was one hundred points. Every day of the entering period, universities were providing info about the minimum score to enroll. During the last week of the entering period, people were running from university to university all day long, looking for the best offer. It was almost like stock exchange.

The technical school, I've graduated from, was private and the owner had university, which provided graduates from technical school an opportunity to enroll without any exams and also to shorten the education time to three years. I was going to use that opportunity because I wanted to finish my education as soon as possible. But my family was against that, because that kind of education was part-time. They convinced me to pass the testings just to try, if I would be able to enroll to another university. I didn't prepare and the results were not good. In the end - I didn't get to any university and was getting myself ready for the army, as in Belarus, every young, healthy men, not students, till there are twenty seven are obliged to serve. Hopefully, I've found another offer from belarusian branch of Moscow State University of Economic, Statistics and Informatics. It had it's own enrollment system and I passed to part-time.

In a month a got a job in a science-research institute with a pretty nice salary. I was in a department of housing policy. My job involved working with statistical data-base, nothing really special, but also I've participated in a very interesting research. For the next two years I was studying in that Moscow university, when suddenly my aunt made me a proposal. She left to Poland when she was eighteen, also to study, and had already graduated. She told me that she could help me to transfer from Moscow university to some polish university in Warsaw. Education would be in english and I won't lose time that spend, so I would get master degree in three years. Our family took that to consideration. We had many very hard arguments, but eventually they said that it is was up to me - to go or not to go. It took me a

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## Studia MBA

"WSB-NLU zaprasza na studia MBA lub SUM+MBA.

Podczas studiów:

- otrzymasz akredytowany dyplom MBA z National-Louis University, USA.

- otrzymasz gruntowne przygotowanie w takich tradycyjnych dziedzinach biznesowych jak: rachunkowość, ekonomia, finanse, marketing i zarządzanie.

- rozwiniesz praktyczne umiejętności potrzebne w rozwiązywaniu problemów, budowaniu zespołu oraz jego przewodzeniu.

- dzięki zajęciom z nauczycielami akademickimi i specjalistami, zdobędziesz wiedzę zarówno teoretyczną jak i praktyczną.

- będziesz miał możliwość poznania podobnie myślących ludzi biznesu i nauki.

- będziesz studiował w międzynarodowym środowisku.

Szczegóły oferty: [Studia MBA](#)

few months of hard thinking, evaluating everything, trying to analyze all pros and cons, to finally get to the decision that I want to try. In the end of spring 2011 I've dropped out from Moscow university, solved problems with my local military office, made a visa and sat on a train to Warsaw.

It wasn't the longest trip in my life, just about eleven hours. But I was so stressed I couldn't sleep. I was thinking about everything I've left in Belarus: my family, my friends, my job, my car. I had a thought: If I leave to another country for at least three years, I should make it worth it. I thought I would give up smoking, go to gym and study as hard as I can. I've done all this for a few first months, then the enthusiasm have disappeared.

When I arrived to Warsaw I was really amazed. It was definitely bigger than Minsk, buildings were higher, it was more populated. I cannot say that everything was completely new for me, but there many situations that totally stunned me. For example, in Belarus, the doors of public transport are always opened by the driver. In Warsaw, in order to open the doors you should press the button. I remember, I was standing on a stop and a bus came, I was standing and waiting for doors to open and people inside the bus were expecting me to push the button. After few seconds they started looking at me like a complete idiot, and I couldn't understand why. Also I was surprised that when even completely unknown people walk into the elevator, they always say "hello". And I couldn't understand how people can walk and eat at the same time.

I lived with my aunt in the center, just five minutes away from university. It was called " Wyższa Szkoła Handlu i Finansów Międzynarodowych" or Skarbek University. It was located in the Mariot hotel. I was really worried about my level of english. It appeared that it was good enough. I saw that when people use foreign language they really want to understand each other, not to impress. I also liked that almost all professors had huge experience in subject they were teaching. In Belarus, people who have knowledge of economy and know how to put it to practice don't usually work as teachers in universities, they establish their own business or work in big companies and make good money. Surprising was the fact that I had classes only three days a week. In Belarus, there were three to five classes five times a week.

I've met many people from almost all over the Europe, most of them were Erasmus. I learned a lot about the behavior of different nationalities, but I also realized that in most cases there are no many differences, just language. It helps, in order to recognize other nationalities not like aliens with completely different everything, but like normal, even ordinary people.

I've lived in Poland three years by now. I've learned many things about people and about myself, things I couldn't learn either than going here. But I'm not going stay here after I finish my studies. I didn't come here in a search for better life, because I didn't know any "real" life at all, and I will never say that living here is much more easier or better than in Belarus. Still, I'm really glad that I came here and I would recommend every student to try studying in another country. Half a year is just right amount of time to practice language, learn things about commutation with people and not get crazy.

Wiktor Patena

## Sham privatization

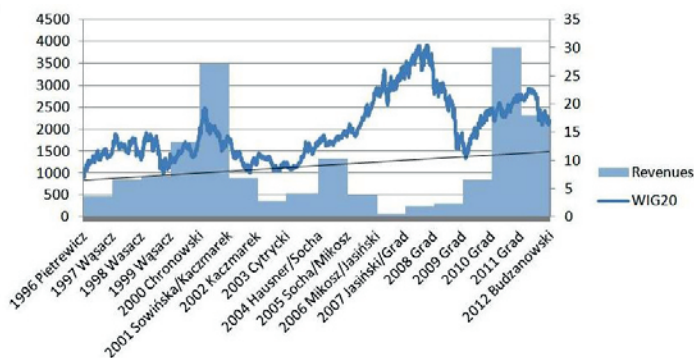
### or how to have your cake and eat it too

#### Privatization versus politics

Privatization has, without doubt, been one the important factors that have contributed to the economic success of Poland in the recent 25 years. What is more, due to the privatization model that was originally accepted, it was from the very beginning seen as a *sine qua non* condition of successful transition.

The program of industry reform, including privatization, was a political decision of the first Polish government after the fall of communism in 1989. The background of the decision was the conviction that state-owned enterprises (SOE) are sustainably ineffective, they do not function well, it is impossible to make them function well, and finally it is virtually impossible to

create a rational and effective system of government supervision over SOE. Hence, it was taken for granted that privatization is to positively affect economic performance of privatized companies and improve the whole economy. Apart from this, privatization and ownership changes were seen as an indispensable part of other reforms: liberalization and introduction of competition.



**Scheme 1: Revenues from privatization, politics and economic situation**

It is tempting to see how the revenues from privatization process corresponds with politics. One can see clearly that the revenues were highly dependent on political parties that were in power at different points of time, and their views on privatization. One aspect of the analysis of revenues from privatization is especially important. Despite of political views on privatization (whether and to what extent it should be continued) some Ministers (representing their parties) fully used the economic opportunities (booming markets) for increasing revenues from privatizations, and others squandered the chance the market offered. For example, in the years 2003-2007 the stocks were extremely bullish but there was no political will (2004 was an exception) to generate revenues from privatization. In the years 2007-2009 the markets were bearish (financial crises) which made it very difficult to reach the privatization plan. Then the markets recovered and the privatization was continued according to the plan.

The privatization plan for 2008-2011 published on April 22, 2008 was mentioned at D.Tusk' expose dated November 23, 2007. The Prime Minister expressed his support to ownership transformations in Poland: "There is no better protection against politicians interfering in the management of companies, than a real increase in the competitiveness of Polish companies and the Polish economy, this is achievable by wise, fast and dynamic privatization". The political aim was to facilitate the privatization process by increasing its transparency, simplification of procedures and shortening duration of the privatization process.

The paper focuses on the analysis of privatization process conducted in the years 2008-2011 with the attempt to show a broad picture of privatization in Poland, indicate resources that still exist although hidden and show government practices in making privatization more effective or, to contrary, carrying out quasi-privatization practices.

**Privatization Plan for 2008-2011 and its implementation**

Before any discussion concerning privatization is begun, one should realize what assets are in the possession of the State, which companies or assets the State Treasury should and intends to control and which should be disposed of.

**Scheme 2: The State Treasury possessions (31.12.2012)**

No.	Components	Examples	Value (bn PLN)
1	National heritage	relics, museums, libraries, archives	
2	Natural resources	water, forest, minerals, national parks	
3	Land, real estate	34,9% of Poland's territory	363.00
4	Infrastructure facilities	roads	47.71

5	Assets supervised by separate entities	ANR, AMW, WAM, ARM, PGL-Lasy Państwowe	323.29
6	Public finance assets	ZUS, NFZ, PAN, NCBiR, NCN, ARiMR, PARP, universities, government and municipal agencies	
7	Stocks and shares	controlled by the Ministry of Treasury or other ministries	179.69
8	Others	ports, research institutes, BGK	

**Scheme 3: Government entities that represent the State Treasury (31.12.2012)**

No.	Entities that represent the state treasury	Number of companies
1	Ministry of Treasury	713
2	Ministry of Economy	19
3	Ministry of Administration	1
4	Ministry of Transport	4
5	Ministry of Finance	2
6	Ministry of Sport and Tourism	2
7	Ministry of Defense	14
8	ANR	45
9	PGL National Forest	22
10	WAM	4
11	AMW	6
12	Voivodes	2

Clearly, out of the list presented in scheme 2 (with very few exceptions) only stocks and shares can be a subject of further privatization process. The rights to represent the State Treasury in companies in which the State has shares belong to various government entities listed in scheme 3.

The market value of the public companies on January 18, 2014 is 103 106 million PLN, which means a slight drop as compared to the data from December 31, 2012 (103 billion versus 108 billion PLN). However, since some of the companies are said to belong to strategic sectors (which are to be controlled by the government), one can assume an optimal ownership structure suggested in the very right column. It turns out then, that the State Treasury can keep control over strategic industries and still reach for 61.82 billion revenue from privatizing very liquid, stock exchange listed companies.

**Scheme 4: Estimated value of stocks owned by the State Treasury (18.01.2014)**

Name	the ST	Number	Market	Entity	Optimal	Optimal
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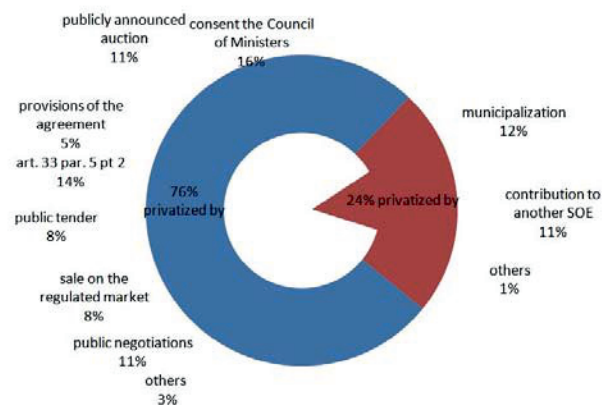
	share (%)	of shares	value (mln PLN)	representing the state treasury	ST share (%)	ST shares value
PHN	75.00%	32 538 003	882	ST	0%	882
PGNiG	72.40%	4 271 911 724	21 400	ST	20%	15 488
PGE	61.88%	1 157 124 546	19 200	ST	20%	12 994
JSW	55.16%	64 775 542	3 240	ST	0%	3 240
Lotos	53.18%	69 076 392	2 450	ST	20%	1 529
Enea	51.50%	227 385 698	3 010	ST	0%	3 010
PKP Cargo	51.70%	22 405 754	2 025	PKP SA	0%	2 025
Energa	51.52%	144 928 000	3 400	ST	0%	3 400
Ciech	38.72%	20 407 437	610	ST	0%	610
PZU	35.18%	30 385 253	13 000	ST	20%	5 609
GPW	34.99%	14 688 470	574	ST	0%	574
Grupa Azoty	33.00%	32 734 509	1 900	ST	20%	748
KGHM	31.79%	63 589 900	7 240	ST	20%	2 685
PKO BP	31.39%	392 406 277	15 800	ST	20%	5 733
Tauron	30.06%	526 883 897	2 220	ST	20%	743
PKN Orlen	27.52%	117 710 196	4 960	ST	20%	1 355
BOŚ	56.62%	12 951 960	577	NFOŚiGW	0%	577
RAFAMET	47.28%	2 042 214	31	ARP	0%	31
Polimex-Mostostal	22.48%	300 000 001	39	ARP	0%	39
Interferie	66.81%	9 731 625	46	KGHM SA	0%	46
AB SA	5.50%	891 802	28	PKO BP	0%	28
EC Będzin	14.88%	468 821	10	BGK i SP	0%	10
Bogdanka	9.76%	3 320 377	415	PZU	0%	415
Paged	8.37%	1 265 000	48	Lasy Państwowe	0%	48
Total market value			103 106		61 821	

However, most of the companies (713), including the stock exchange listed companies, are under the supervision of the Ministry of Treasury. Other government entities control the rest, most of which could sold, and contribute to higher revenues from privatization. The often considered examples of such companies are: defense sector companies, railroad companies, airports, companies and land controlled by AMW (6 companies) and ANR (45 companies) agencies. Their value is difficult to estimate - their book value (on December 31, 2012) is 33.79 billion PLN. The market value must be much higher. Anyway, having assumed that the State Treasury: keeps control over strategic industries and sells 61.82 billion PLN worth shares in stock exchange listed companies, sells half of the companies supervised by other than the Minister of State Treasury entities (16.89 billion PLN of book value), and sells half of the non public companies (9.74 billion

PLN of book value), then the expected revenues would amount to at least 88.45 billion PLN. Further, having assumed that the average revenue from privatization in the years 1993-2012 was 8.38 billion PLN, the 88.45 amount could enable continuing privatization at the previous pace for another 10 years. The presented numbers clearly show that the whole process is far from being terminated.

It is claimed here that privatization process that took place in Poland in years 2008-2011 was to some extent the sham privatization. The majority of companies were sold via tender or auction mechanism. Nevertheless, some were taken over by other SOE or state-controlled companies, communalized, or transferred to various government agencies. As the previous analysis disclosed the privatization process involved privatization methods which did not generate any revenues to the government. Communalization, contribution to other SOE companies and transfer of assets or companies to various government agencies were examples of such methods. It is vital to emphasize that usage of the mentioned transformation methods allows the State Treasury to constantly control these enterprises. From 634 privatization projects 76% were sold by consent of the Council of Ministers, publicly announced auction, public negotiations, sale of shares on the regulated market, public tender or provisions of the agreement. But the remaining 24% were sham privatized by municipalization, contribution to another SOE and other sham privatization methods.

**Scheme 5: Sham privatization in 2008-2011 (based on number of projects)**



The municipalization of the State Treasury may occur through the transfer of property of the State Treasury for the benefit of local government units. At the request of the executive body of local government, the Ministry of Treasury may transfer free package of shares in favor of the local government unit or units of local self-government relationship. The condition is that economic activities performed by such a company are the task that has to be fulfilled by the unit of local government or compound of local government units. Municipalization is related mainly to public use or utility companies such as public transport, water supply, wholesale centers, industrial parks, etc. In the analyzed period of privatization in Poland the majority (46) of communalized firms were public transport enterprises.

Contribution to other SOE is one of the procedures of direct privatization provided in the Act on Commercialization and Privatization. Contribution to a company leads to acquisition of the appropriate number of shares or stocks. This method of privatization is used in particular for small and medium-sized businesses that require significant expenditures and investments. It is directed towards providing the company with reliable strategic investors (domestic or foreign). During the privatization process in Poland the biggest part (60%) of contributed enterprises became a part of the ARP. Significant contributions were also made to Bumar[1], PHN and PSE Operator. Enterprises contributed to other SOE were mostly manufacturing facilities, power stations and research centers. The sham privatization significantly decreased acquired privatization revenue in Poland in years 2008-2011.

The Ministry of Treasury supervises 86% of all companies that are in the possession of the State Treasury. Hence, it is justified to focus on their strategy in terms of privatization - it affects most companies and it is often followed by other government agencies. In the years 2008-2011 over 580

enterprises were privatized, the plan for 2012-2013 assumed privatizing another 300 companies from 25 industries to be sold. Thanks to this the share of private ownership (80% of GDP at the end of 2011) was to increase and the competitiveness and efficiency of the Polish economy was to be improved. However, the companies that were left to be privatized in both periods (2008-2011 and 2012-2013) were not appealing to investors. Hence, at different points of time, the Ministry of Treasury tested new strategies to sell the remaining companies successfully.

Since 2008 the Ministry of Treasury has been facing the obvious problem: the pool of enterprises to be privatized has come from unattractive sectors or most of the companies in the pool struggled with serious operational or financial problems. 483 companies were in the initial privatization pool, 24.23% of which generated loss in 2008. The average ROS and ROE for all these companies in 2008 were -0.96% and -8.9% respectively. The important question was then how to deal with the pool of companies, a quarter of which is close to bankruptcy. The answer was to pack them into coherent entities, put an attractive label, and create special purpose vehicles (SPV) that would attract investors and enable selling the state-controlled assets more effectively. One of the first attempts was PHN. The idea was to consolidate some SOE (Intraco, Budexpo, Dalmor and many more) under an attractive real estate label and go public. PHN portfolio eventually included 180 real estates and 1.3 hectares of land. Its IPO was postponed from July 2012 to February 2013, but finally it was relatively successful.

ARP is another attempt to deal with companies that are to be privatized. Apart from a portfolio of companies they supervise (net assets worth over 5 billion PLN), the agency fosters innovation and growth of innovative middle sized and big companies. The new strategy of ARP is to be actively involved in fostering innovative Polish economy, including creating new companies that will implement breakthrough inventions. Blue Gas (shale gas) and Nano Carbon (graphene production) companies are good examples of such companies.

Still another example of creating SPV is PGZ (Polish Defense Group) located in Radom. The group is an attempt to consolidate Polish defense industry. It will include PHO (Polish Defense Holding, previously Bumar), 11 companies controlled by Ministry of Defense, HSW and companies from defense sector controlled by the Ministry of Treasury. Creation of the group will probably be followed by a decision to go public.

Finally, PIR (Polish Investments in Development) is a new company founded by the Ministry of Treasury with the aim at fostering Polish investments - mostly investments into infrastructure (producing and distribution of energy and gas), building shale gas resources, transport infrastructure, waste utilization, and telecommunication. The company will get financing (up to 40 billion PLN) from privatization revenues (sale of PGE, PKO BP, PZU and Ciech packages).

It can be seen that some effort is made into selling existing SOE, in some cases with a use of sophisticated marketing tools and special purpose vehicles such as PHN. On the other hand, new SOE are created, with the noble aim to foster innovation, restructuring and infrastructure renewal. Still the promise at the Ministry of Treasury website that PIR will invest only in highly profitable project is disarming. Besides, revenues from privatization are often transferred to newly created state-owned enterprises. In the years 2012-2013 the Ministry of Treasury planned to obtain revenues from privatization amounting to 15 billion PLN. At the same time, PIR is offered financing of 40 billion PLN that would come from privatization revenues. There is an obvious clash between the two strategies.

## **Conclusions**

On March 31, 2008 the Ministry of Treasury controlled 1237 enterprises from various industries. The number included 350 companies in liquidation, close to bankruptcy or not active enterprises and 887 active firms. The 2008-2011 privatization plan assumed that 740 enterprises would be privatized. The outcome of the plan implementation were 582 privatized companies, which is 78.64% of the plan. Polish government assumed privatization revenue at the level of 54 billion PLN. Global financial situation and some privatization problems allowed to reach 44.02 billion PLN, which was 81% of the planned value.

It was found out that most of the companies (713) that belong to the State Treasury are controlled by the Ministry of Treasury. Other government entities supervise the rest, most of which could be sold and contribute to

higher revenues from privatization. The often considered examples of such companies are: defense sector companies, railroad companies, airports, companies and land controlled by AMW (6 companies) and ANR (45 companies) agencies. Anyway, it can be estimated that the expected revenues from selling all those possessions would amount to at least 88.45 billion PLN. Further, having assumed that the average revenue from privatization in the years 1993-2012 was 8.38 billion PLN, the 88.45 amount could enable continuing privatization at the previous pace for another 10 years. The presented numbers clearly show that the whole process is far from being terminated.

We also claimed that privatization process that took place in Poland in years 2008-2011 was to some extent the sham privatization. The majority of companies were sold via tender or auction mechanism. Nevertheless, a significant part (24%) were taken over by other SOE or state-controlled companies, communalized, or transferred to various government agencies. This is considered sham privatization, since presenting contributions to SOE (Bumar, Tauron, Kompania Węglowa, Lotos, Ciech, PHN, Enea) or government agencies (ARP, ANR) as genuine privatization is obviously misleading.

483 companies were in the initial privatization pool in 2008. 24.23% of the companies generated loss in 2008, which proved their unattractiveness. Anticipating this problem the Ministry of Treasury decided to pack some of them into coherent entities, put an attractive label, and create special purpose vehicles (SPV) that would attract investors and enable selling the state-controlled assets more effectively. One of the first attempts was PHN (the real estate sector). PHN's IPO was relatively successful and proved the method was well thought out.

Other seemingly similar cases do not follow the same strategy. It is rather an attempt to supervise more companies (ARP), create so-called national champions (PGZ - Polish Defense Group), or foster growth of specific industries (PIR), and basically it is contradictory to genuine privatization. To prove that it is enough to quote plans of the Ministry of Treasury to obtain in 2013-14 revenues from privatization amounting to 15 billion PLN. At the same time, PIR is offered financing of 40 billion PLN most of which would come from privatization revenues. It is what A.Sieroń (from Mises Institute) calls "have your cake and eat it too" strategy.

Privatization process in Poland, despite having its ups and downs, is relatively successful. We avoided the failures of mass privatization, the process is consistently implemented (at least after 2008). Privatization generates revenues for the government and contributes to a real increase in the competitiveness of Polish companies and the Polish economy. However, the process, although facilitated recently, is far from being terminated. What is more, some of the activities of the Ministry of Treasury seem to go backwards: the assets controlled by the State Treasury grow instead of being diminished, some companies are privatized and at the same time others are created.