



# ***Privatization in Central and Eastern Europe***

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***„Privatization - what's next”***

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# Central and Eastern European Countries - CEECs

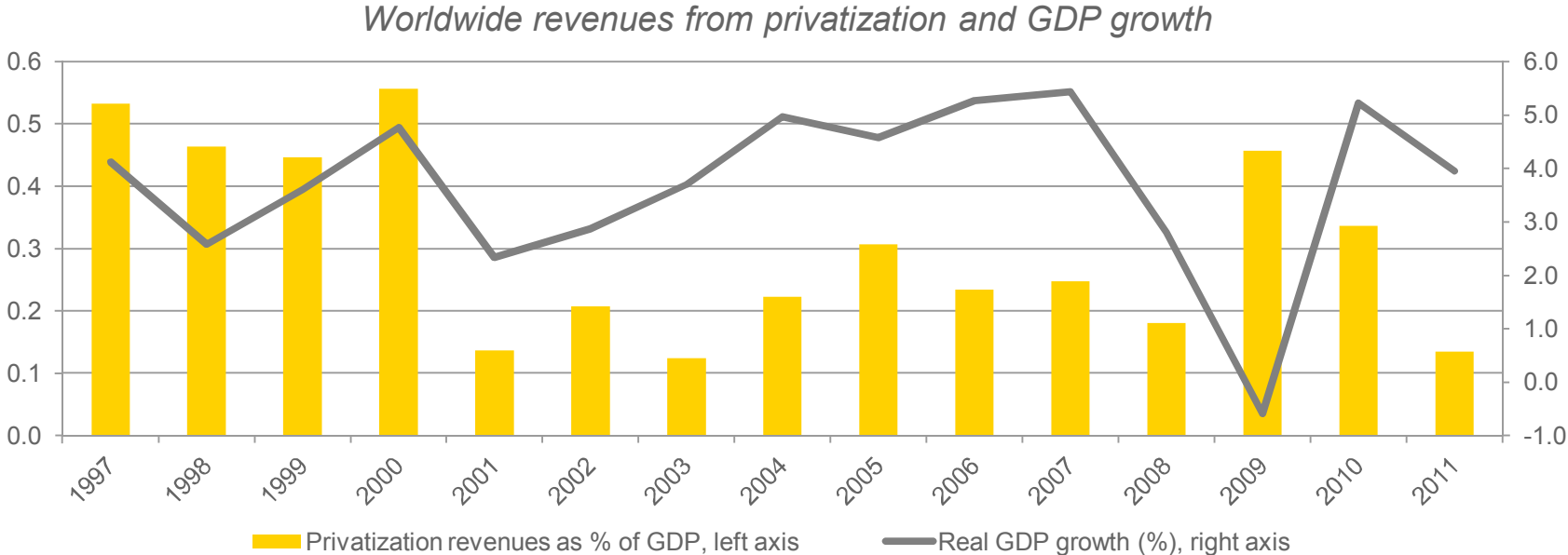
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Czech Rep., Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia



# Worldwide privatization trend in recent years

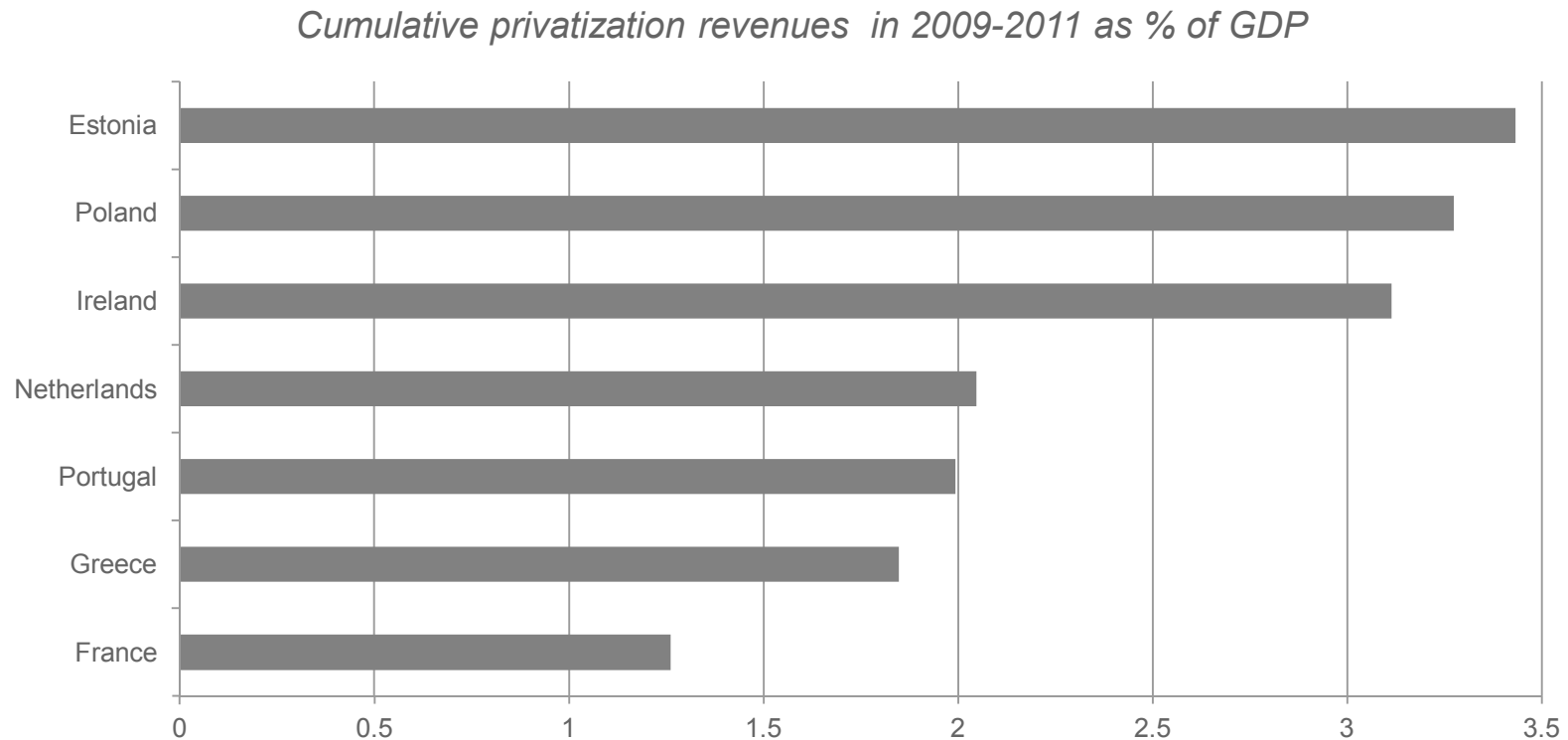
- ▶ Slower privatization pace after Dot-com Bubble Era (1997-2000)
- ▶ Unusual 2009 with high privatization revenues, but in two-thirds arising from bank share repurchases
- ▶ High „true privatization” in 2010
- ▶ Postponing privatization in 2011



Sources: Privatization Barometer, IMF World Economic Outlook.

# European privatization during the economic slowdown

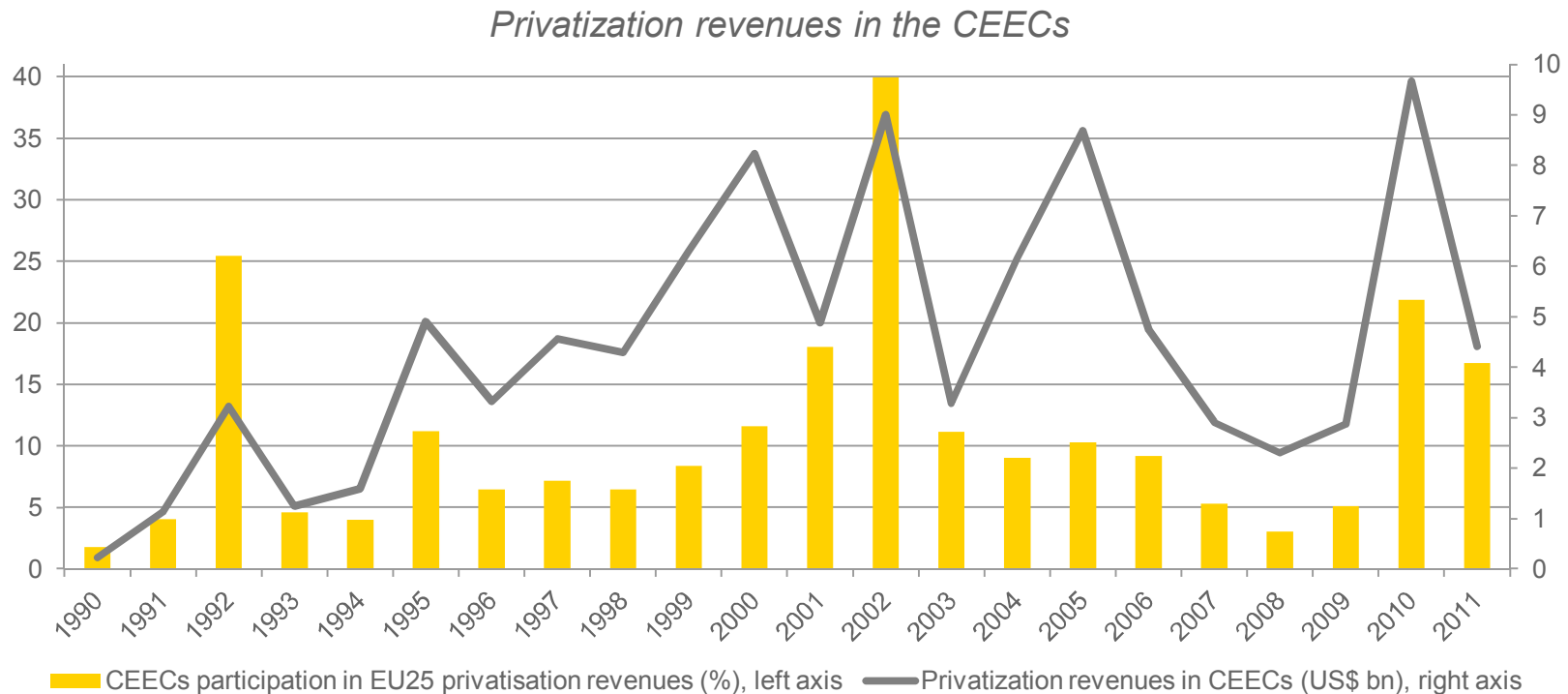
- ▶ Two CEECs – Estonia and Poland – the EU leaders in terms of privatization revenues during the economic slowdown



Sources: Privatization Barometer, IMF World Economic Outlook.

# Privatization in the CEECs – average pace (1/2)

- ▶ The historical highest nominal CEECs privatization revenues in 2010
- ▶ Greater CEECs participation in the total EU25 privatization revenues during the economic slowdown compared to the period of high economic growth 2004-2008

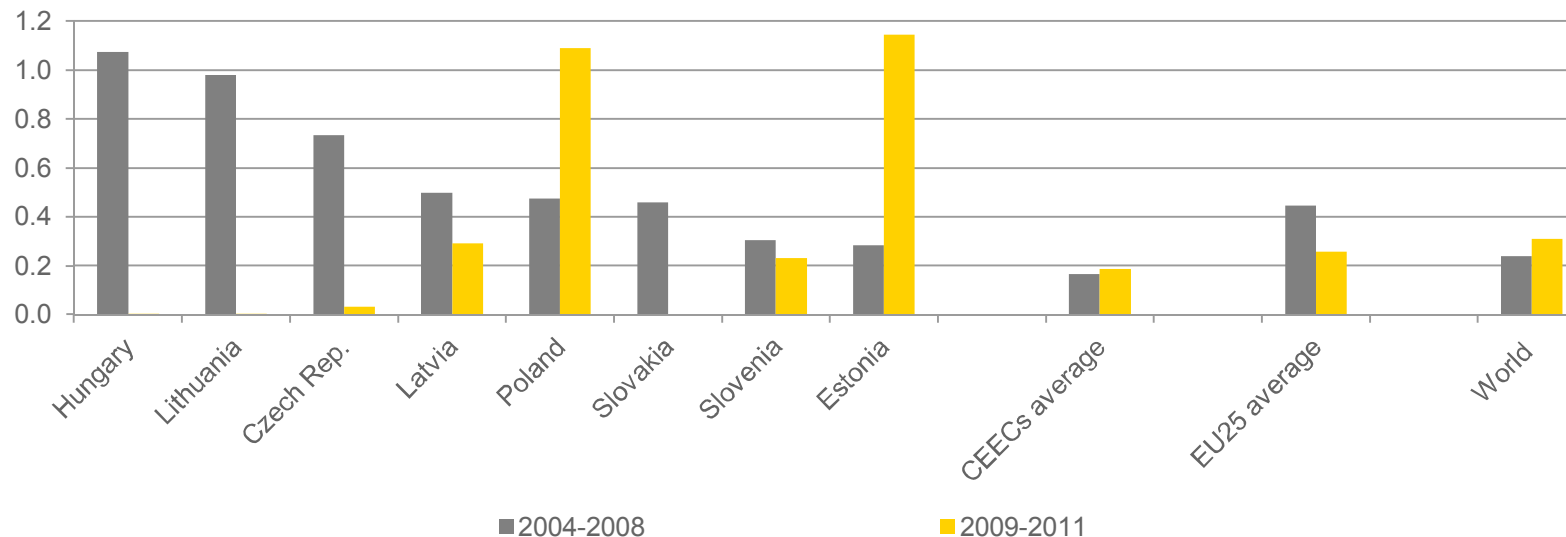


Sources: Privatization Barometer, IMF World Economic Outlook.

## Privatization in the CEECs – average pace (2/2)

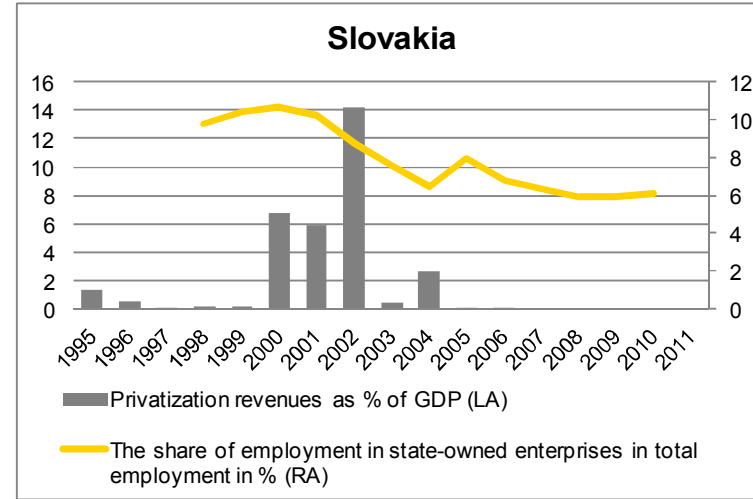
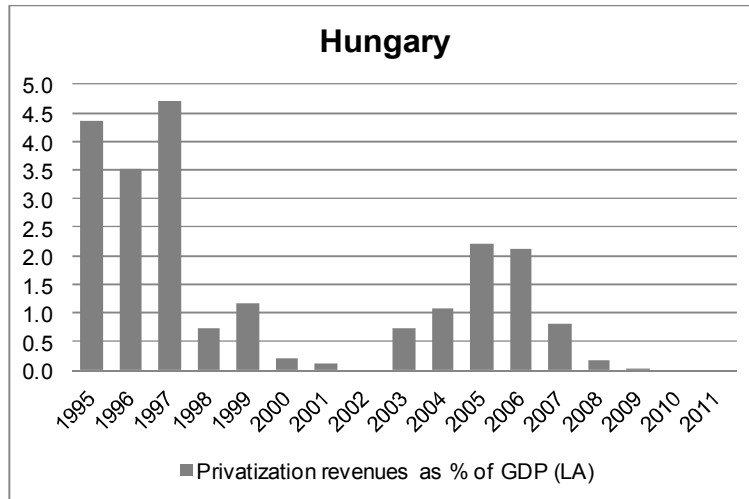
- ▶ Similar average privatization pace in the CEECs before and during current economic slowdown but different recent direction in selected countries:
  - ▶ suspension – Hungary, Slovakia
  - ▶ slowdown – Czech Rep., Lithuania
  - ▶ continuation – Latvia, Slovenia
  - ▶ acceleration – Estonia, Poland

*Privatization revenues in selected countries as % of GDP*



Sources: Privatization Barometer, IMF World Economic Outlook.

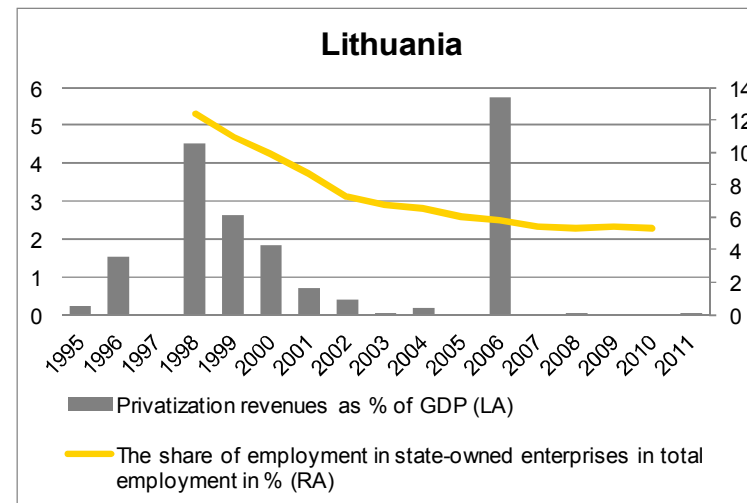
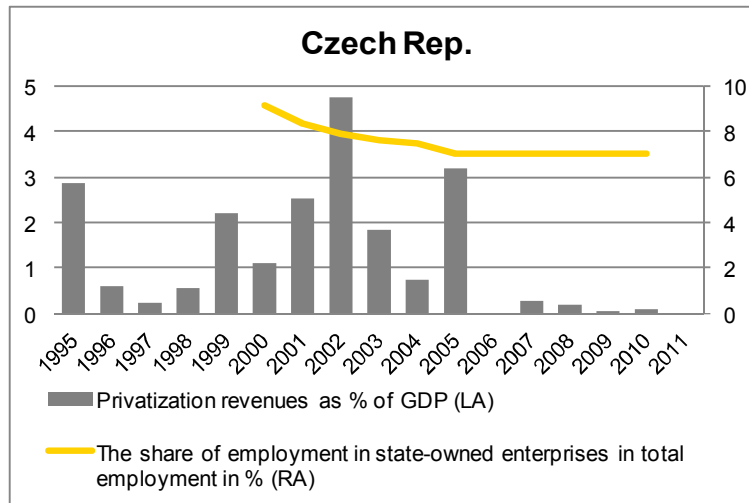
# Suspension - recent privatization trends in selected CEECs



Suspension of privatization process in Slovakia and Hungary from 2007 and 2010, respectively

Sources: Privatization Barometer, IMF World Economic Outlook, International Labour Organization.

# Slowdown - recent privatization trends in selected CEECs

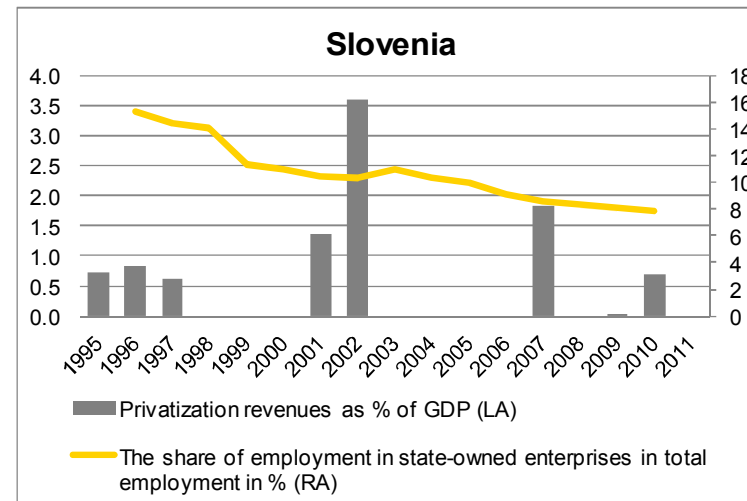
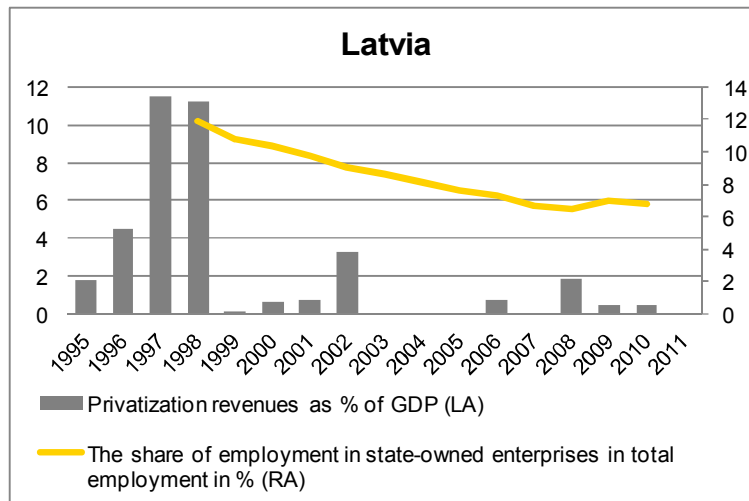


Significant slowdown of privatization process over the last few years in case of Czech Rep. and Lithuania

Sources: Privatization Barometer, IMF World Economic Outlook, International Labour Organization.



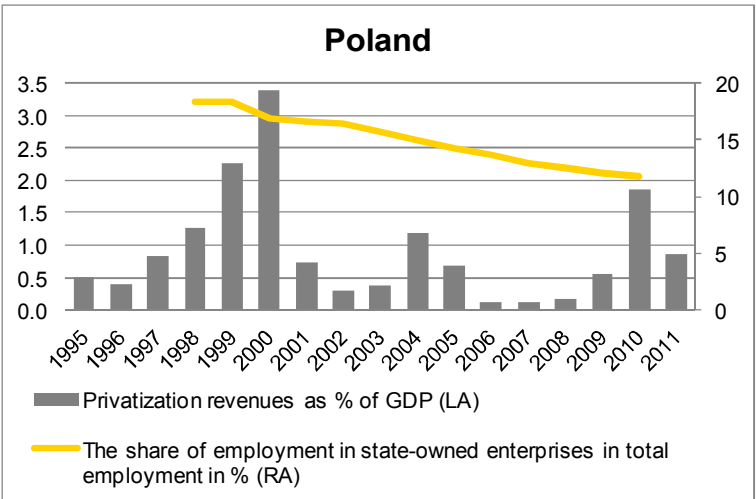
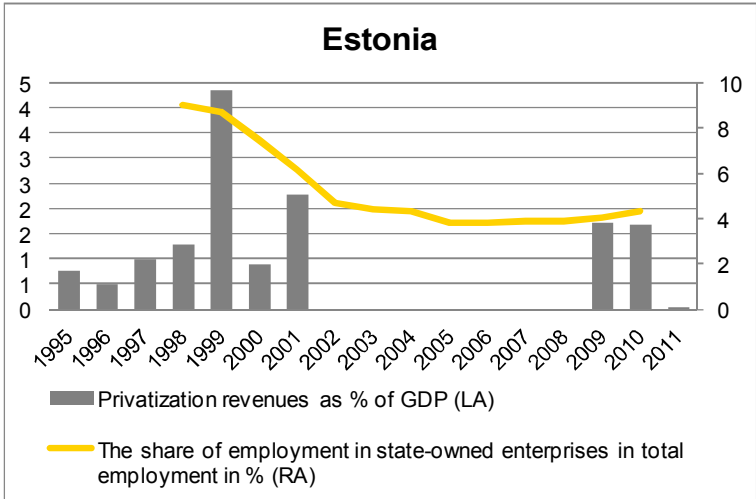
# Continuation - recent privatization trends in selected CEECs



In case of Latvia and Slovenia privatization process has been continued over the last few years

Sources: Privatization Barometer, IMF World Economic Outlook, International Labour Organization.

# Acceleration - recent privatization trends in selected CEECs



Estonia and Poland have accelerated privatization process over the last few years

Sources: Privatization Barometer, IMF World Economic Outlook, International Labour Organization.

# Privatization's reasons in transition countries

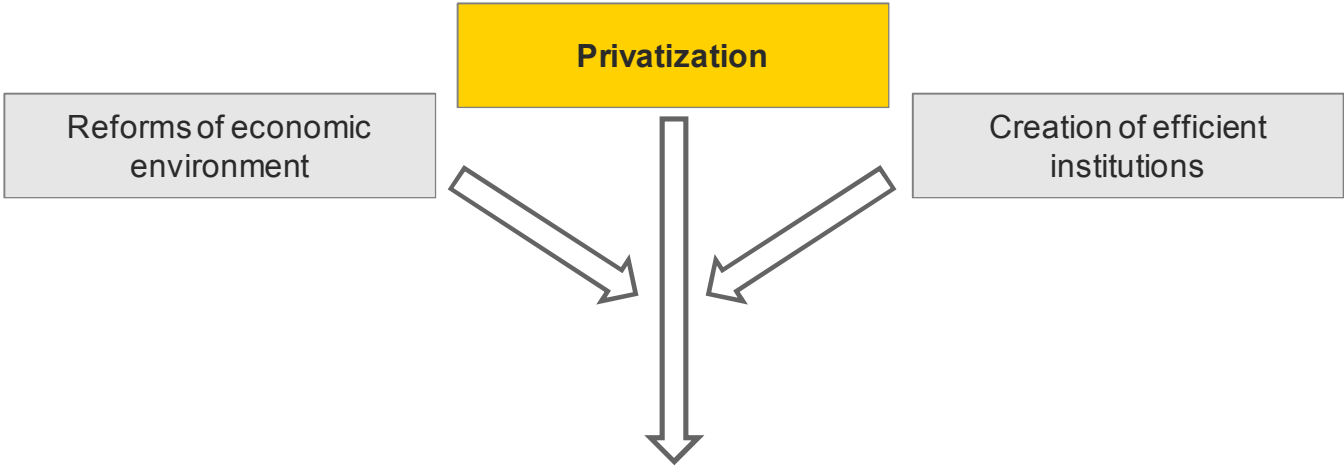
- ▶ The variety of the privatization models results from different goals set for privatization process in each group of countries. However, the main types of privatization models can still be distinguished.

Type of the model	Characteristic features of the model
<b>Western European</b>	<ul style="list-style-type: none"> <li>• Privatization plays a supportive role for economic policy and is aimed at enterprises restructuring and fiscal benefits.</li> </ul>
<b>CEECs</b> (Poland, Czech Rep., Slovakia, Hungary, Slovenia, Estonia, Lithuania and Latvia)	<ul style="list-style-type: none"> <li>• At the beginning of transformation, privatization was a pillar of structural reforms, introducing the market economy. It also changed the ownership structure, improved business efficiency, provided a source of financing for necessary public expenditures, and therefore accelerated the economic growth in the long term.</li> </ul>
<b>Southern European</b> (Albania, Bulgaria, Romania and countries of the former Republic of Yugoslavia)	<ul style="list-style-type: none"> <li>• The initially slow pace of privatization has accelerated in the subsequent years of transformation and privatization process becomes similar to the CEECs model.</li> </ul>
<b>Post-soviet</b> (some CIS countries)	<ul style="list-style-type: none"> <li>• Privatization has served realization of selected stakeholders' interests and goals.</li> </ul>
<b>Non-reform („outsiders” model)</b> (Belarus and Turkmenistan)	<ul style="list-style-type: none"> <li>• Slow privatization with a number of subjective and objective exemptions. Such privatization has not played a crucial role in economic policy.</li> </ul>

Source: Own elaboration.

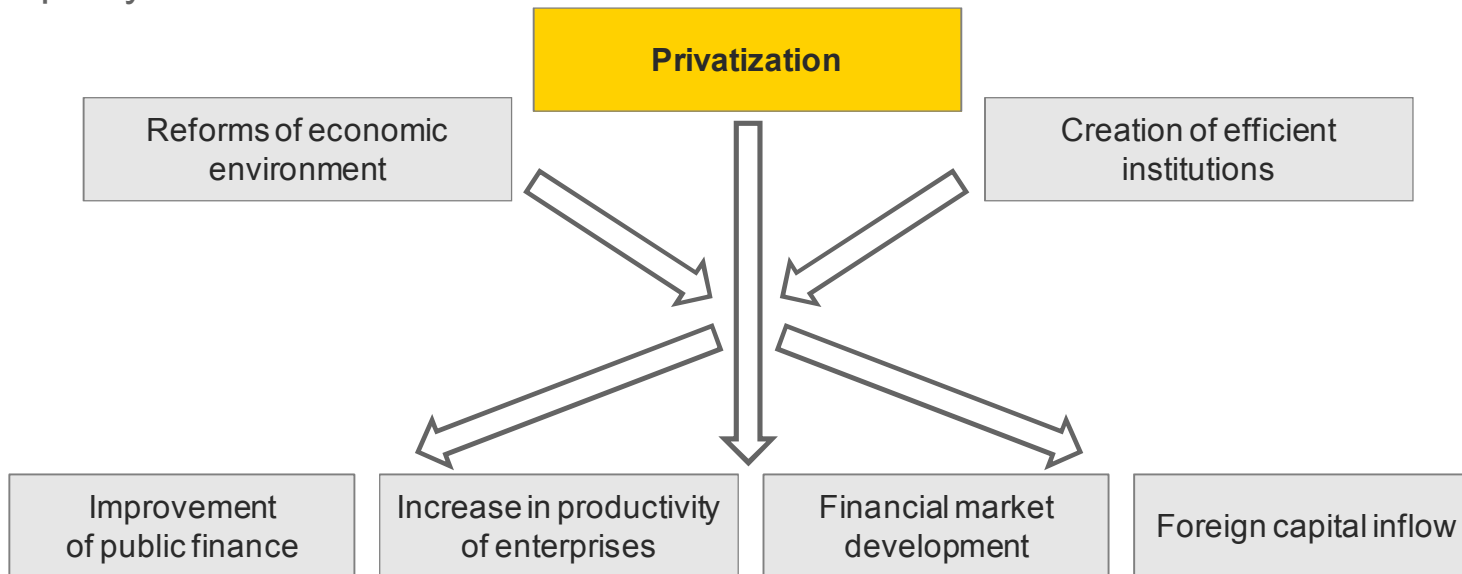
# Privatization effects in the CEECs (1/2)

- ▶ Privatization as well as the accompanying structural reforms contribute to faster economic growth in the long term. Thereby privatization contributes to increased prosperity of all CEECs.



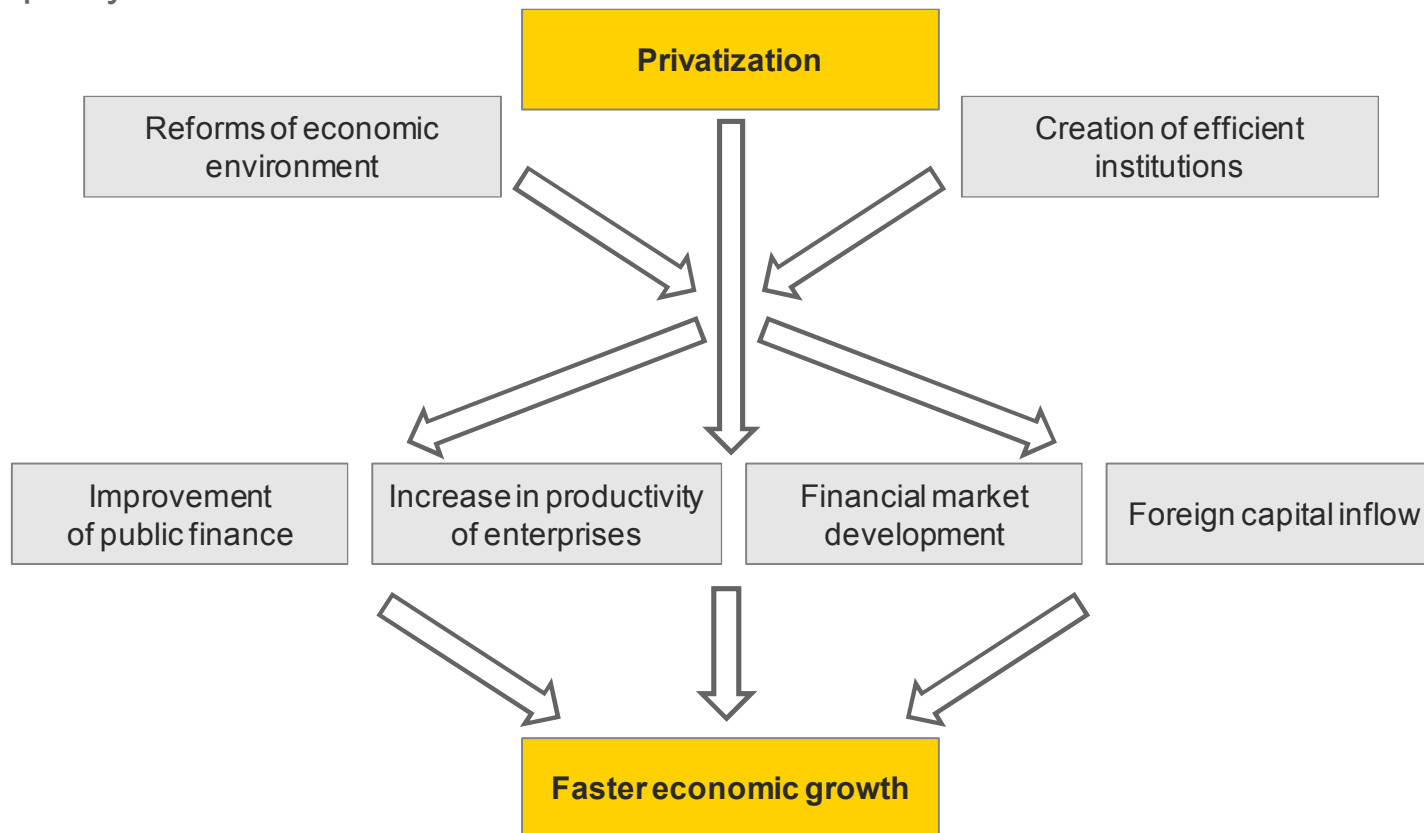
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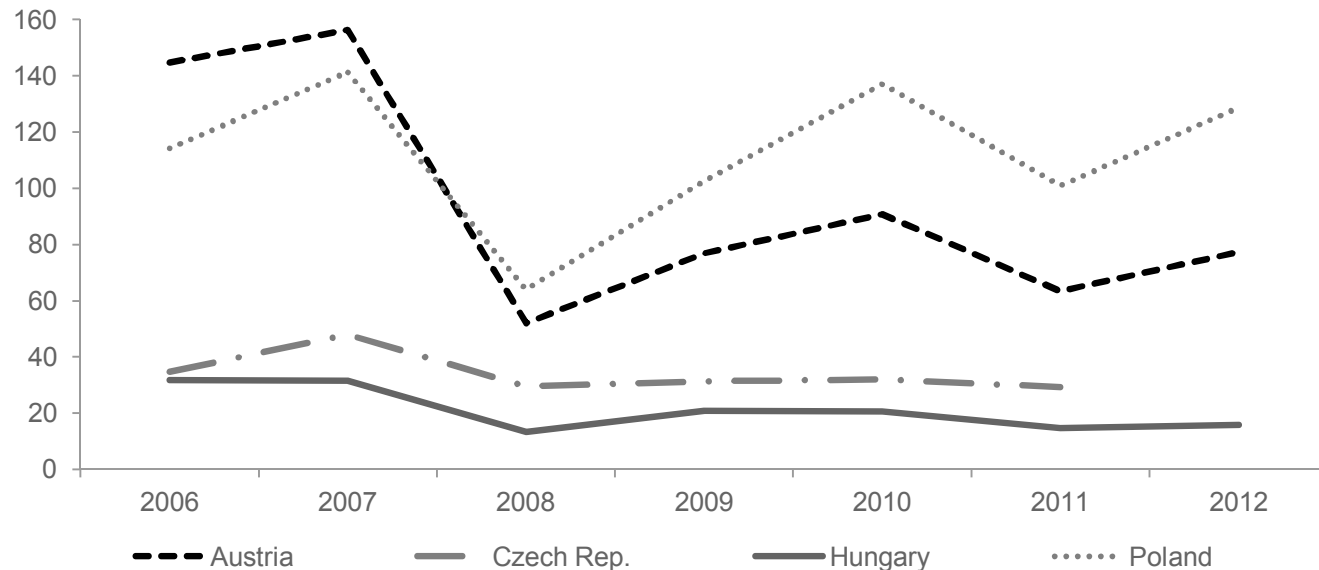
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## Privatization effects in the CEECs (2/2)

- ▶ Accelerated privatization in Poland during the economic slowdown was an important factor strengthening the WSE in comparison to other stock exchanges in the region. Acceleration of privatization helped to reduce the negative effects of the global financial crisis.

Market capitalization (bn EUR) on the largest stock exchanges in Central Europe\*



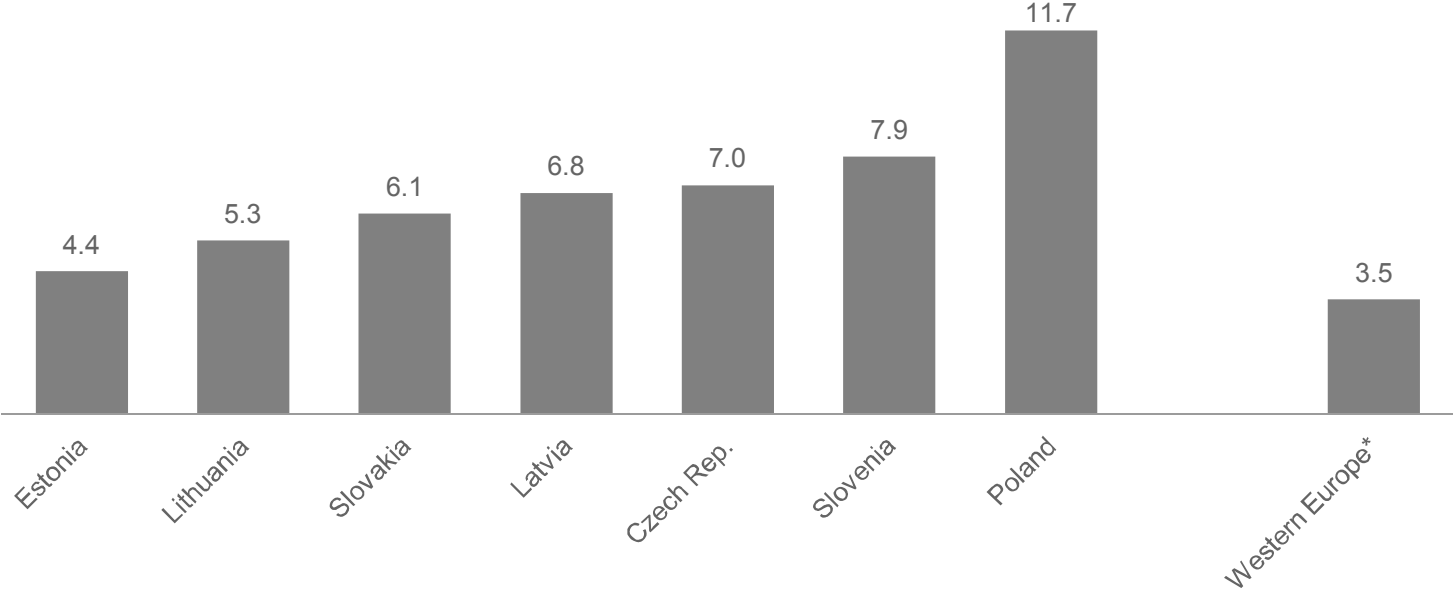
\* Capitalization and value trading apply to domestic companies.

Sources: Stock exchanges from selected countries.

# Opportunities for further privatization in the CEECs

- ▶ Despite the recent developments, there are still opportunities for further privatization in all CEECs.

*The share of employment in state-owned enterprises in total employment in 2010 (%)*



Source: International Labour Organization.

\* Own calculation based on ILO data.



# Opportunities for further privatization in Poland

- ▶ Despite over twenty years of privatization in Poland, the value of the property of the Treasury at the end of 2011 amounted to PLN 48.2 bn

Stocks/shares in companies  
with Treasury shareholding participation  
PLN 46.0 bn

Equity capital value  
of the state-owned companies  
PLN 2.2 bn

(1) shares in sole shareholder companies  
of the Treasury – PLN 13.1 bn  
(2) shares in companies with partial shareholding  
of the Treasury – PLN 11.1 bn  
(3) shares in public companies – PLN 21.8 bn  
(market value of those shares as of 31<sup>st</sup> December  
2011 was amounted to PLN 92.4 bn)

**Total**  
**PLN 48.2 bn**

300 state-owned companies  
in Privatization Plan  
for 2012-2013

Source: Polish Ministry of Treasury.

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**Thank you for your attention!**