Privatization in Central and Eastern Europe

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„Privatization - what’s next”

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Central and Eastern European Countries - CEECs

Czech Rep., Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia
Worldwide privatization trend in recent years

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

Privatization revenues in the CEECs

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.

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<th>Type of the model</th>
<th>Characteristic features of the model</th>
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<td>Western European</td>
<td>• Privatization plays a supportive role for economic policy and is aimed at enterprises restructuring and fiscal benefits.</td>
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<td>CEECs (Poland, Czech Rep., Slovakia, Hungary, Slovenia, Estonia, Lithuania and Latvia)</td>
<td>• 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.</td>
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<td>Southern European (Albania, Bulgaria, Romania and countries of the former Republic of Yugoslavia)</td>
<td>• The initially slow pace of privatization has accelerated in the subsequent years of transformation and privatization process becomes similar to the CEECs model.</td>
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<td>Post-soviet (some CIS countries)</td>
<td>• Privatization has served realization of selected stakeholders' interests and goals.</td>
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<td>Non-reform („outsiders” model) (Belarus and Turkmenistan)</td>
<td>• Slow privatization with a number of subjective and objective exemptions. Such privatization has not played a crucial role in economic policy.</td>
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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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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.
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
  - (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

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

Total PLN 48.2 bn

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

Source: Polish Ministry of Treasury.
Thank you for your attention!