




Weekly Briefing

**Poland economy briefing:
Status quo of Poland's state-owned enterprises
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Deep and varied transformations in the functioning of economy on a global scale taking place in last years have caused an increase in anti-globalization and anti-integration moods. The response to the “fears of globalization” is to strengthen the scope and importance of autonomous economic policy conducted at the level of individual countries and to formulate its new goals in the form of protection of domestic economy against external influences. As a result, the scope of “statism” in economy has been increasing in many countries in recent years. It is very clearly visible in Poland, where the state owns 30 enterprises, while 40% of the largest companies are also under state control - this is definitely more than in other countries of Central and Eastern Europe, which have a fairly similar economic structure.

State-owned enterprises

State-owned enterprise (SOE) is the one that is solely owned by the state. The main legal act regulating the procedure of establishing, liquidating, organization and operation of state-owned enterprises in Poland is the Act on State-Owned Enterprises of 1981 (with subsequent amendments). State-owned enterprises may be established by the supreme, central or local state administration bodies, as well as by the National Bank of Poland and state-owned banks.

SOEs are established as enterprises operating on general principles or as public utility enterprises. The latter are primarily aimed at meeting the needs of citizens. In particular, these enterprises aim to provide services in the field of:

- sanitary engineering;
- public transport;
- gas, electricity and heat;
- management of state housing resources;
- management of state green areas;
- management of spas;
- cultural services.

According to the data published in September 2020 by the Polish government, there are currently 30 SOEs in Poland. Most of them are in the hands of individual ministries - thirteen state-owned enterprises are in the hands of Ministry of Justice; two SOEs belong to Ministry of Climate, and one each to Ministry of Infrastructure and Ministry of Maritime Economy and Inland Navigation. The remaining enterprises are at the disposal of the voivodes (representatives of the government in the region/voivodship)¹.

State-owned enterprises include, among others, a printing house (*Drukarnia nr 1*), Radioactive Waste Disposal Plant (*Zakład Unieszkodliwiania Odpadów Promieniotwórczych*), and the cargo ship operator Polsteam (*Polska Żegluga Morska*). The largest of them are Polesteam with almost 2,700 employees, as well as *Porty Lotnicze*, the leading entity of aviation transport infrastructure in Poland, employing 1,700 people. In economic terms, state-owned enterprises cope differently - some gain less (*Drukarnia nr 1* - PLN 8,000) or more profit (*Radioactive Waste Disposal Plant* - PLN 2 million), and some generate multi-million profits (*Porty Lotnicze* - PLN 356 million in 2019).

State-controlled enterprises

Nevertheless, the above mentioned category of state-owned enterprise doesn't include the state-controlled enterprises (SCEs), which are a type of companies established as a result of a commercialization process, carried out by the Minister of Treasury, at the request of director and employee council of a state-owned enterprise. Their existence and operation are described in the 1996 Act on Commercialization of State Enterprises.

The companies in which the State Treasury holds the largest shares operate in industries considered strategic from the point of view of the state's interests. Among them there are energy, fuel, insurance, mining, transport, real estate companies, as well as representatives of the chemical and banking industries. The newest list of companies with the Treasury shareholding includes a list of 417 entities².

¹ *Wykaz przedsiębiorstw państwowych 2020-09-30*, <https://dane.gov.pl/pl/dataset/1101,wykaz-przedsiębiorstw-państwowych/resource/26988/table> (accessed: 8. February 2021).

² *Wykaz spółek z udziałem Skarbu Państwa 2020-09-30*, <https://dane.gov.pl/pl/dataset/1198,wykaz-spoek-z-udziaem-skarbu-panstwa/resource/26989/table> (accessed: 8. February 2021).

Table 1: List of companies with the largest share of State Treasury

Name of the company	Industry	State Treasury share in company's capital (in %)	Sale 2019	Net profit 2019 (in PLN)
PGNiG (<i>Polskie Górnictwo Naftowe i Gazownictwo</i>)	oil exploration and gas industry	71,88	42 023 000 000	1 371 000 000
PHN (<i>Polski Holding Nieruchomości</i>)	real estate	69,76	2 319 000 000 (assets)	69 000 000
PGE (<i>Polska Grupa Energetyczna</i>)	energy	57,39	17 607 867 000	- 6 950 250 000
JSW (<i>Jastrzębska Spółka Węglowa</i>)	coal mining	55,17	8 671 795 650	649 571 400
Lotos	oil industry	53,19	29 500 000	2 900 000 000
Energa	energy	51,52	11 479 000 000	-1 001 000 000
Enea	energy	51,50	15 796 298 000	540 697 000
Giełda Papierów Wartościowych	stock exchange	35,00	336 100 000	119 320 000
PZU SA (<i>Państwowy Zakład Ubezpieczeń</i>)	insurance	34,19	24 200 000 000	3 295 000 000
PKP Cargo	rail freight	33,01	4 781 600 000	36 000 000
Grupa Azoty	nitrogen fertilizers	33,00	11 307 915 000	407 673 000
KGHM Polska Miedź	mining and processing	31,20	22 723 000 000	1 421 000 000
Tauron	energy	30,10	19 558 292 000	-11 683 000
PKN Orlen SA (<i>Polski Koncern Naftowy Orlen SA</i>)	oil industry	27,50	111 203 000 000	4 298 000 000

Source: own elaboration on the basis of Raport Specjalny Nowego Przemysłu, data of the Central Statistical Office, data of state-owned companies for 2019.

State Treasury holds the largest share in PGNiG. It has over 4 billion shares, which constitute 71.88% of the share capital of this company dealing with gas extraction and distribution. In the case of PHN, the State Treasury holds 69.76% of the share capital. This is due to the fact that the state holds 32.6 million shares of the company operating in the area of commercial real estate. The share of the State Treasury exceeds 50% also in other companies.

This applies to companies such as PGE, Energa and Enea, JSW and Lotos. In the case of PGE, the State Treasury owns over a billion shares; in the case of Energa and Enea over 200 thousand shares. The share exceeding 30% applies to companies such as the PZU SA and PKP Cargo.

The actual share of state-controlled enterprises in the Polish economy, measured by the contribution to the creation of added value or share in the revenues of the enterprise sector, is around 13-15% per year. It is probably the highest value among all European Union countries. On the list of state-controlled enterprises there are also two largest Polish financial entities - bank PKO BP SA and insurance company PZU SA. On the other hand, the third big financial entity, Pekao Bank SA, is indirectly controlled by the state, through PZU SA and Polish Development Fund SA.

The relatively large share of state-controlled enterprises in the overall Polish economy is even greater when the group of 50 largest and most important Polish enterprises is taken into account. Although this share decreased gradually since 1989, it still remains at a very high level. The importance of SCEs in the Polish economy is significantly greater than it would appear from a simple share quantification of these types of entities throughout the economy.

Comparison to other CEE countries

Analyzing the last 30 years after the economic transformation, both Poland and some Central and Eastern European countries have still not managed to effectively depart from the model of the economy based (primarily) on large state-owned/controlled enterprises. Among 50 largest Polish companies in terms of operating revenues, as many as 20 are under state control – this means 40%. This is definitely more than in any of the other countries in the region³. For comparison: in Slovakia this proportion is 28%, in Hungary 24%, in Czech Republic 16%, and in Romania 14%.

Significantly, Polish state-controlled enterprises generate more than half of the revenues of the entire group of the 50 largest enterprises - 53.5% in total (EUR 88.5 billion per year). This is 20% more than in Hungary, 29% more than in Czech Republic, 34% more than in Slovakia and 43% more than in Romania.

³ M. Bałtowski, M. Gołębiowska, *Udział i charakterystyka największych przedsiębiorstw państwowych w gospodarkach wybranych krajów Europy Środkowo-Wschodniej*, <https://ies.lublin.pl/rocznik/riesw/2019/1/9> (accessed: 8. February 2021).

Importantly, the group of 20 largest Polish state-owned companies employs over half (56.3%) of people working in all 50 largest companies in Poland - more than in any other country in the CEE region. Though, what may be even more noteworthy, is that in contrast to other CEE countries, the share of employment in the largest state-owned/controlled companies in the total employment in the group of the largest enterprises has not decreased over the years - this indicator has remained at the level of over 50% for at least a decade. In Hungary it is 33.8%, in Czech Republic - 26.1%, in Slovakia - 22.6%, and in Romania - 18.4%.

Summing up it should be stated that in the Polish economy, the vast majority of cases of the state exercising corporate control in companies, is the result of the phenomenon described in the literature as “reluctant privatization”. All such entities were once state-owned and their privatization processes conducted by the capital market in many cases were not completed. The state still maintains significant blocks of shares in these companies and a disproportionately greater scope of corporate control.

The advantage is the profits that SOEs and SCEs generate - even if there are more difficult periods, in the long run the state earns on nationalized firms. The best example of this are PKN Orlen SA or Lotos, which conduct a very expansionary policy in the oil sector in the CEE region and make huge profits for the state. In economic terms, these companies are usually gold mines.