

MSZ Supplement

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NATIONAL NEWS

Prosecutor's Office Reform

Dziennik p. 3, June 3 2008

President Lech Kaczyński has already announced that he will veto the bill separating the posts of justice minister and prosecutor general. "In the Polish legal system, this is an insane solution. Anyone who has understanding of how the state functions in Poland must know that its implementation would make it impossible for the government to take responsibility for internal security," he maintains. However, Kaczyński's action may not produce the desired result, the Civic Platform (PO), the Polish Peasants Party (PSL) and the Democratic Left Alliance (SLD) all declare their readiness to overrule his veto. "We support the ruling camp's plans in this area, especially as we have been advancing the same idea in the Sejm since November 2007," says SLD's top figure Ryszard Kalisz.

PSL MPs Involved in Healthcare Corruption Scandal?

Rzeczpospolita p. A1, June 4 2008

Tuesday's dismissal of Deputy Health Minister Krzysztof Grzegorek has proved just a prelude to a greater scandal in the healthcare system. Grzegorek stepped down after TVN commercial broadcaster's journalists accused him of taking a ZŁ20,000 bribe while he was still a doctor at the Skarżysko-Kamienna-based hospital. The head of PM Donald Tusk's Chancellery, Sławomir Nowak, declared that if charges are pressed, he will be suspended as a Civic Platform (PO) member. The corruption investigation at the ministry has already involved former Deputy Health Minister in the Law and Justice (PiS) government Jarosław Pinkas. Now prosecutors are considering motioning for the immunity for two more MPs of coalition partner the Polish Peasants Party (PSL), to be revoked.

President and Foreign Minister Bury the Hatchet?

Gazeta Wyborcza p. 6, June 4 2008

The Gazeta Wyborcza daily has found out from several sources that President Lech Kaczyński is willing to sign some of the ambassadorial nominations presented to him by Foreign Minister Radosław Sikorski. Specifically, the president is ready to accept the nominations of Jerzy Margański (to Vienna), Irena Tatarzyńska (to Tirana), Jarosław Starzyk (to Bern) and Ryszard Schnepf (to Madrid). Although the daily's sources are cautious,

it seems that everything is on the right track for the foreign minister and the president to finally reach an agreement. The conflict regarding the nominations has lasted seven months, and nothing suggested that there was a way out of the stalemate. According to the newspaper, the key to warming up relations between the two powers was a compromise concerning Andrzej Sadoś, presidential candidate for Poland's representative to the Organisation for Security and Co-operation in Europe (OSCE), who will eventually become a consul in Hongkong.

Russian Daily Causes Commotion over US Anti-Missile Shield

Dziennik p. 3, June 4 2008

The Russian RBK Daily, citing Polish Foreign Minister Radosław Sikorski, reported that Poland was ready to grant Russia the right to constant monitoring of elements of the US anti-missile shield. The Foreign Ministry's spokesman Piotr Paszkowski has responded that Warsaw was ready to grant Moscow regular, but not constant access to the site. Polish diplomats are convinced that the misleading article was not a coincidence, but a move designed to provoke a conflict between Warsaw and Washington. Polish negotiation leader Witold Waszczykowski stated firmly that after 20 years the government would not consent to Russian soldiers' return. "We can only accept visits mounted every several weeks and the installment of CCTV," he said and added: "We also want to know how Russian rocket installations close to the Polish borders are being used."

New SLD Leader Attacks Church, PO and PiS Disgusted

Dziennik p. 5, June 3 2008

It did not take the Democratic Left Alliance's (SLD) new head long to stir up some controversy: only two days after his unexpected election for SLD head, its hitherto Secretary General Grzegorz Napieralski announced that when his party takes over the power in the country, it will see to it that Poland terminates the Concordat. At the same time, other members of his party claim that it has no intention of going to war with the Polish Church. However, this is not how the Civic Platform (PO) sees it. "Napieralski is making anti-clerical declarations to create a buzz around himself. There was once a party that tried to increase its popularity by such actions, but then it turned out that the Concordat was by no means harmful to Poland," states PO MP Jarosław Gowin. The same view on the issue is held by the Law and Justice (PiS) party.

Adjustments to 2009 Budget

Rzeczpospolita p. B2, June 4 2008

The Finance Ministry has till the end of the week to prepare assumptions for the 2009 budget. Its current estimates put 2009 GDP growth at 5.0 percent and inflation at 2.9 percent. Yesterday, Poland's top economists had the opportunity to present their predictions at the ministry's headquarters. In the opinion of the majority, Poland's GDP growth will not exceed 5 percent in 2009. Poland is expected to develop at some 4.4-4.7 percent. Inflation, on the other hand, is about to reach between 2.9 and 3.4 percent. In the economists' opinion, Poland's consumption could be 0.4-0.8 percentage points weaker than in 2008, while the level of investment could decrease by 0.8-1.6 percentage points from this year. The reduction of PIT rates will be a positive factor for GDP growth in 2009, says PKO BP's chief economist Łukasz Tarnawa. Wages will also grow faster due to strong pressure of trade unions. Among the weakening factors, other economists listed further strengthening of the złoty and rises in energy prices.

Privatisation Plan Extended

Gazeta.pl, June 2 2008

On 2 June, Treasury Minister Aleksander Grad announced that the government intends to fully privatise the energy sector; according to earlier plans, Polska Grupa Energetyczna (PGE) and Tauron were to remain in the hands of the state. At present, both of them, as well as the two remaining energy groups Energa and Enea, are state-controlled. All the four enterprises are to debut on the WSE - Enea this summer, PGE late in 2008, and Tauron and Energa in 2009. Following that, the government will consider selling controlling stakes in them to strategic investors. Enea's IPO, which according to plans will take place in mid-July, is to bring in PLN2.5bn-3bn, with the presence of the Treasury in the firm to be reduced to 70 percent. Additionally, in the same month the Treasury intends to sell a 37-percent stake in Bank Gospodarki Żywnościowej (BGŻ) on the stock market. Finally, on 30 May it decided to sell Huta Łabędy steel product manufacturer to a sector investor.

Indebted Poles May Be Allowed to Go Bankrupt as of Next Year

Gazeta Wyborcza p. 26, June 4 2008

Consumers struggling with debt repayment may soon be allowed to declare private bankruptcy and start from scratch. Both the ruling Civic Platform (PO) party and the government are working on two separate projects, which would enable such a procedure as of early 2009. It is not clear why there are two separate projects but the banks like both of them. Especially the more restrictive one prepared by the government. Polish law currently allows only for bankruptcy of companies. According to the research company InfoMonitor, as many as 1.2 million Poles have longer than two-month delays in their liabilities payments. The PO is proposing that anyone who does not pay debts equal to the annual minimum wage (more than PLN14,000) can go bankrupt.

PLN14bn Gov't IT Contracts Planned for End of 2008

Puls Biznesu p. 4, June 3 2008

When Poland assumes the EU presidency in 2011 it wants to highlight IT. One of Poland's main slogans will mention the development of an information society. Looking at the current situation this sounds improbable. However the undersecretary of state in the Internal Affairs Ministry Włodzisław Drożdż wants to change this thanks to PLN14bn for central and local governments to be invested in IT. The money will come from various EU programmes. Drożdż says works on all major projects will start in the second half of 2008. The first projects will be presented before the government at the end of June. Modernisation of state registers is a top priority. They will become reference sources for other systems. The government aims to launch electronic version of majority of the most important public services within 2-3 years. So far most large projects have ended in fiasco, but Drożdż says this time the government is determined.

Problems in State Spending

Wall Street Journal Polska p. 1, June 4 2008

Poland's budget clearly has a problem with spending. "The delay in the realisation of the spending schedule amounts to PLN11bn," said Deputy Finance Minister Elżbieta Suchocka-Roguska. A ranking conducted by the Finance Ministry for Wall Street Journal Polska shows that by the end of May state offices and institutions financed from the budget had spent PLN110.5bn, instead of the PLN121.7bn planned. Most of the money left in the state's wallet is a result of saving. This is the case for servicing domestic and foreign debt, which has let the budget save as much as PLN2.7bn, largely owing to the strong złoty and earlier buyout of Treasuries. At not much less, i.e. PLN2.5bn, stand savings on payments to the Social Insurance Board (ZUS). There is also PLN1.5bn simply not used for road construction. A number of ministries are not too eager to spend money fast either. .

Not Enough Money for Road Repairs

Parkiet p. 14, June 3 2008

The Treasury Ministry proposed an amendment to the list of key projects from the infrastructure and environment operating programme. The amendment includes projects worth almost PLN3bn. However the Regional Development Ministry, which is in charge of the EU funds says there is not enough money to realise all of the projects. In that case the Infrastructure Ministry will probably withdraw some of the projects, including all those related to road repairs. This is not the only problem. Due to growing prices of building materials, as well as continuing appreciation of Polish currency against the euro, there may not be enough money even to realise the more modest list of projects. According to the deputy Regional Development Minister Janusz Mikula, the government is monitoring the situation and when the time is right, it will decide what strategy to adopt.

Small Chance of Compromise Between Poland and Eureko on PZU

Wall Street Journal Polska p. 6, June 4 2008

The fight for control over Poland's top insurer PZU will not end as quickly as the Treasury Ministry expected. Deputy Treasury Minister Zdzisław Gawlik said that there is no chance of ending another stage in negotiations with PZU's Dutch shareholder Eureko before the end of June. The negotiations between the majority shareholder - the Polish government - and Eureko, are secret. But Gawlik admitted that money is the problem behind the delay. "There have arisen some problems, which none of the parties are able to solve. The discrepancies regard financial claims," he said. Eureko Polska CEO Michał Nastula confirmed that the room for compromise is not great. Eureko has been fighting since 2001 to increase its stake in PZU by 21 percent, from 30 percent acquired in 1999, as was agreed with Poland. The government is not enthusiastic about giving up control. Gawlik did not rule out that the talks may fail and the case will have to be solved by the arbitration court.

Four Potential Investors for Stocznia Gdynia and SSN

tvn24.pl, June 2 2008

According to TVN CNBC Biznes, there are altogether four investors willing to purchase Stocznia Gdynia and Stocznia Szczecińska Nowa (SSN) shipyards. "We have submitted an offer for SSN," confirms CEO of Mostostal Chojnice Andrzej Kuta. His company constitutes part of the KEM group; apart from ships, it intends to build drilling platforms and shipyard cranes in the shipyard. The second company willing to invest in SSN is said to be a sector enterprise with German capital. Meanwhile the potential investors Stocznia Gdynia are Janusz Baran's Maritim Shipyard and an investment fund. The controversy concerning the privatisation of Stocznia Gdynia and SSN shipyards has grown after entrepreneur Przemysław Sztuczowski decided to pull out of the privatisation programme, following which the European Commission (EC) warned Warsaw that if the process is not completed soon they will have to return the financial aid obtained from the state.

Bumar Takes Initiative

pb.pl and Rzeczpospolita p. B1, June 4 2008

The new management board of Poland's biggest arms maker Bumar has presented its plans for the company. Bumar's CEO since April, Edward Nowak, announced that the concern had invited the National Defence Ministry to join a strategic alliance and suggested calling up a military-industrial council, whose regular sessions would enable the exchange of information between the army, industry and science. The new CEO does not like the

idea of building a national arms concern under Bumar's auspices, and intends to convince the government to take this into account. Nowak also disclosed that the firm was looking for new export contracts. Dariusz Dęboczyk, responsible for restructuring and sales, stated that the Indian market remained Bumar's major recipient. The company will soon sign an agreement with the Tata concern. The group plans forays into the Vietnamese, Northern and Western African markets, where it wants to sell used weaponry. Apart from these, North America seems an attractive ready market as far as rifles and ammunition are concerned, as well as Lithuania - with regard to civil products. The group's turnover this year is expected at PLN3bn.

Tauron to Grab PLN3-4bn from WSE

pb.pl, June 3 2008

According to Tauron Polska Energia Deputy CEO Bogusław Oleksy, the company should be ready to enter the stock market in mid-2009; the estimated value of its IPO is PLN3-4bn. The funds obtained from the WSE will be used to finance the construction of a new 900 MW power unit. "We may assume that the cost of installing 1 MW of energy production capacity amounts to around EUR1.5m, which means that the project may consume around EUR1.35bn," says Oleksy. He adds that the investment, which will be carried out either in Jaworzno or Blachownia, will be conducted by our subsidiary Południowy Koncern Energetyczny (PKE). The operation could start in 2010 and take 3-4 years. Earlier, Tauron's representatives declared that by 2015 the company could install up to 1,200 MW of new capacity on the condition that stock market investors provide it with the necessary funds. In 2007, Tauron generated net profits of PLN79.6m.

PZU Supervisory Board Mulls Foreign Acquisitions

Rzeczpospolita p. B9, June 3 2008

There are not many firms left for takeovers on the Eastern European insurance market. However PZU is still looking, and so is the competition. Analysts are of the opinion that Polish insurance giant may attempt to buy an Eastern European investment from some foreign insurance group. There is speculation in the insurance industry that Wiener Stadtische, operating under the name Vienna Insurance Group (VIG), may be on PZU's target list. Earlier there was gossip that AIG is interested in VIG. VIG has already bought eight insurance companies in Poland. For the time being VIG representatives say there are no plans to sell them. However analysts say PZU may also be interested in AIG's investments. Another direction for PZU expansion is Ukraine, Russia and Romania. PZU authorities say they are interested in foreign investments, but they need the owners' approval. Meanwhile the largest shareholders - Treasury and Eureko - are still unable to end their dispute.

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