Naczyk, Marek

**Taking back control: Comprador bankers and managerial developmentalism in Poland**

*Review of International Political Economy*

APPENDIX A.6.

The repolonization/redomestication of foreign-owned Polish banks

A.6.1 Summary of evidence on the repolonization of banks 3

A.6.2. Specific pieces of evidence on the repolonization of banks 10

A.6.2.1. – PO 2007 10

A.6.2.2. – PiS 2007 12

A.6.2.3. – PO politicians 2007 13

A.6.2.4. – PO politicians 2007 14

A.6.2.5. – Bielecki (Pekao) and Pruski (PKO) 2008/10 15

A.6.2.6. – Grad (Treasury) and Pruski (PKO) 2008/10 17

A.6.2.7. – Grad (Treasury) 2008/12 18

A.6.2.8. – Bielecki (Pekao) 2009/01 19

A.6.2.9. – story of failed AIG takeover attempt 2009/07 20

A.6.2.10. – PiS 2009 22

A.6.2.11. – Schetyna (PO) 2009/11 24

A.6.2.12. – BCC 2010/03 25

A.6.2.13. – Gazeta Wyborcza 2010/05 26

A.6.2.14. – Sikora (Citi Bank Handlowy) 2010/06 27

A.6.2.15. – Grad (Treasury) and Jagiełło (PKO) 2010/06 28

A.6.2.16. – Sejm 2010/06 29

A.6.2.17. – Reuters 2010/06 34

A.6.2.18. – Morawiecki (BZ WBK) 2010/06 35

A.6.2.19. – Lewiatan 2010/09 40

A.6.2.20. – Tusk 2010/09 41

A.6.2.21. – Kaczyński 2011/02 42

A.6.2.22. – Bielecki and PO politician 2011/08 43

A.6.2.23. – Bankers 2011/11 44

A.6.2.24. – Berglof (EBRD) 2011/11 45

A.6.2.25. – Balcerowicz 2011/11 46

A.6.2.26. – redomestication debate 2011/11 47

A.6.2.27. – EBRD 2013/12 50

A.6.2.28. – KIG 2014/08 51

A.6.2.29. – Bielecki (Tusk’s Council) 2014/08 53

A.6.2.30. – KIG 2016/04 55

A.6.2.31. – Bielecki and Jasser (ex-Tusk’s Council) 2019/09 56

A.6.2.32. – Mironczuk (ex-PKO) 2020/07 61

A.6.2.33. – PO politician 2020/09 63

A.6.3. Additional references 64

# A.6.1 Summary of evidence on the repolonization of banks

|  |  |  |  |
| --- | --- | --- | --- |
| **Actors** | ***“Guilty mind” hoop test***  **Have they *wanted* to “repolonize” banks? And from when?** | ***“Guilty act” hoop test***  **Have they *actively participated* in the “repolonization” of banks? And from when?** | **Who has mobilized whom to participate in the “repolonization” of banks?** |
| *Civic Platform (PO) leadership* | Party manifesto of 2007 is clearly in favor of the further privatization of state-owned enterprises ([A.6.2.1](#A621))  Prime Minister Tusk expresses his support for the BZ WBK takeover attempt after it fails in September 2010 ([A.6.2.20](#A6220)).  PO – and its ideological allies (e.g. Balcerowicz – [A.6.2.25](#A6225)) – is divided over repolonization with with PO politicians being against nationalization ([A.6.2.26](#A6226)) and some former members of the Tusk government still expressing their skepticism about it ([A.6.2.33](#_A.6.2.34._–_PO))  *Inference: Hypothesis passes the hoop test with some difficulty* | PO members – though not really party leaders – such as Treasury Minister Grad and Finance Minister Rostowski play an active role in the 2008-9 AIG Bank Polska ([A.6.2.6](#A626) and [A.6.2.7](#A627)) and the 2010 BZ WBK takeover attempts ([A.6.2.15](#A6215))  N.B.: Jan Krzysztof Bielecki is not a PO member ([A.6.2.11](#A6211) and last sentence of [A.6.2.16](#A6216))  *Inference: Hypothesis passes the hoop test* | No evidence of PO leadership (e.g. Tusk) actively mobilizing other actors into repolonization; Tusk and other PO politicians express their support (or lack of it) *during* or *after* the BZ WBK takeover attempt – not *before* it  PO politicians and the party’s ideological allies – Balcerowicz – see Bielecki as the instigator ([A.6.2.25](#A6225); [A.6.2.33](#_A.6.2.34._–_PO))  *Inference: There may have been a co-occurrence of PO and other actors’ support for repolonization, but more likely Tusk and PO leadership got mobilized into repolonization by somebody else – potentially by Bielecki* |
| *Law and Justice (PiS) leadership* | Law and Justice leadership starts openly campaigning for repolonization from early 2011 ([A.6.2.21](#A6221))  *Inference: Hypothesis passes the hoop test* | Law and Justice implements repolonization once in power from 2015 (takeover of BPH by Alior in 2016 and takeover of Pekao by PZU and PKO in 2017)  Effectively, by calling for repolonization from early 2011, PiS participates in it from that point ([A.6.2.21](#A6221))  *Inference: Hypothesis passes the hoop test* | Law and Justice started calling for repolonization in 2011 – i.e. *after* the AIG Bank Polska and BZ WBK takeover attempts already took place  A 2009 policy manifesto still only suggested a “defensive” policy of *not* privatizing strategic SOEs ([A.6.2.10](#A6210)); hence, PiS matured sometime in 2010, i.e. around the time the BZ WBK takeover took place  *Inference: Law and Justice was not the first actor to pursue repolonization and most likely got spurred into advocating it by the failed takeover attempt over BZ WBK (perhaps even by Mateusz Morawiecki – see main body of the paper)* |
| *Ministry of the State Treasury* | Treasury Minister Grad publicly expresses support for the 2008-9 AIG Bank Polska ([A.6.2.6](#A626) and [A.6.2.7](#A627)) and the 2010 BZ WBK takeover attempts ([A.6.2.15](#A6215))  *Inference: Hypothesis passes the hoop test* | Treasury Minister Grad plays an active role in the 2008-9 AIG Bank Polska ([A.6.2.6](#A626) and [A.6.2.7](#A627)) and the 2010 BZ WBK takeover attempts (A.6.2.13; [A.6.2.15](#A6215))  *Inference: Hypothesis passes the hoop test* | PKO bankers most directly involved in the failed 2008-9 AIG Bank Polska and 2010 BZ WBK takeover attempts say that these were “bottom-up” initiatives of PKO management – and, in 2010, of Bielecki too ([A.6.2.32](#_A.6.2.32._–_Mironczuk) and anonymous banker source A.5.2.15 cited in the main body of the paper)  These same bankers say the Ministry of the Treasury were an impediment to the success of those two takeovers due to a lack of resolve (confirmed for 2008-9 AIG takeover attempt in [A.6.2.9](#A629))  *Inference: There may have been co-occurrence of State Treasury and bankers’ support for repolonization, but, if one is to believe the bankers, bankers mobilized the Treasury into action* |
| *(Former) comprador bankers* | Bielecki (Pekao), Sikora (City Bank Handlowy) and Morawiecki (BZ WBK) signal their preference for Polish ownership even while they are CEOs of foreign-owned banks in 2008-2010 ([A.6.2.5.](#A625); [A.6.2.8.](#A628); [A.6.2.14](#A6214); [A.6.2.18](#A6218))  Other CEOs of foreign-owned banks do the same anonymously in 2011 (A.6.2.23.)  *Inference:* *Hypothesis passes hoop test* | PKO top bankers (Mironczuk, Jagiełło; Borys) involved in 2008-9 AIG Bank Polska, 2010 BZ WBK and subsequent takeover attempts are former top managers in foreign-owned banks  In October 2008, while still being a CEO of Pekao, Bielecki encourages PKO’s CEO, Jerzy Pruski, to make acquisitions during the crisis ([A.6.2.5.](#A625))  In 2010, Bielecki is reported to fly to Ireland to negotiate with AIB ([A.6.2.13](#A6213)) and publicly defends the BZ WBK and other potential subsequent takeover attempts by SOEs (e.g. [A.6.2.26](#A6226))  *Inference:* *Hypothesis passes hoop test* | PKO bankers say 2008-9 and 2010 takeover attempts were “bottom-up” initiatives of PKO management – and, in 2010, of Bielecki too + present the Ministry of the Treasury as an impediment to their success ([A.6.2.32](#_A.6.2.32._–_Mironczuk_1) and anonymous banker source A.5.2.15 cited in the main body of the paper)  Bielecki is already considered as playing an informal (“mentoring”, “grey eminence”) role in advising Tusk on economic issues both when Tusk becomes PM in 2007 ([A.6.2.3](#A623); [A.6.2.4](#A624)) and after he becomes chairman of Tusk’s Council ([A.6.2.22](#A6222))  The press presents Bielecki as the “organizer of the whole enterprise” to take BZ WBK over ([A.6.2.13](#A6213))  At the same time, Bielecki and Tusk’s Council – not the Ministry of the Treasury - present plans for a depoliticization of the governance of SOEs – which would deprive the Treasury of much of its influence over appointments in SOEs ([A.6.2.16](#A6216); [A.6.2.31](#A6231) and last paragraphs of Morawiecki’s [A.6.2.18](#A6218))  Given failures of 2008-9 and 2010 attempts, Bielecki and allied bankers/managers regularly defend possibility of SOEs making acquisitions ([A.6.2.19](#A6219); [A.6.2.26](#A6226); [A.6.2.29](#A6229)) and talk about “nationality” of capital to create greater legitimacy for repolonization (see numerous quotes in Appendix A.10); this is also meant to combat the reluctance of the Ministry of the Treasury to see PKO BP propose a higher price in takeover bids  *Inference: Even if there may have been co-occurrence of Treasury and bankers’ support for repolonization in 2008, bankers play a decisive role in neutralizing opponents within the liberal camp (Balcerowicz, etc.) and in overcoming the reluctance of the Treasury to really support the agenda; it is bankers’ coalition-building that makes the 2014 acquisition by PKO possible* |
| *Employers’ associations / business groups*  (BCC, KIG, PKPP Lewiatan, Pracodawcy RP) | Evidence of latent support ([A.6.2.28](#A6228)) for repolonization by KIG; but public support only from 2016 ([A.6.2.30](#A6230)); support is for takeovers preferably by *private* – not state - capital  Evidence of BCC and PKPP Lewiatan support for increased pace of privatization of state-owned companies and their opposition to repolonization through nationalization ([A.6.2.12](#A6212); [A.6.2.19](#A6219); BCC 2012; BCC 2016: p. 31; 2017: p. 14; BCC 2018: p. 19; Wprost/Youtube 2012)  No evidence found on the preferences of Pracodawcy RP  *Inference: Only hypothesis that KIG has a “guilty mind” passes hoop test* | No evidence of activities (e.g. lobbying or even public advocacy) in favour of repolonization  KIG publicly supports a domestication of foreign-owned banks by private capital in 2016 ([A.6.2.30](#A6230)); this is very late in the process to have any influence  *Inference: Only hypothesis that KIG is involved passes hoop test* | KIG’s public support for repolonization (2016 compared to 2008 and 2010 first takeover attempts) comes extremely late in the process and cannot be assumed to have any influence;  the arguments used by KIG about the “nationality” of capital and career ladders in MNCs ([A.6.2.28](#A6228)) closely resemble those used by comprador bankers (see numerous quotes in Appendix A.10)  *Inference: KIG has been following – rather than setting – the agenda on repolonization; Other hypotheses already rejected given failure to pass hoop tests* |
| *Trade unions*  (FZZ, NSZZ Solidarność, OPZZ) | No evidence of salient preference for repolonization  *Inference: hypothesis fails to pass hoop test* | No evidence of activities (e.g. lobbying or even public advocacy) for repolonization  *Inference: hypothesis fails to pass hoop test* | *Not relevant given failure to pass hoop tests* |
| *International organizations and international financial institutions* | EBRD Chief Economist openly signals openness to repolonization in late 2011 ([A.6.2.24](#A6224)); EBRD signals potential financial support for ownership changes in its 2013 Strategy for Poland ([A.6.2.27](#A6227))  No evidence of other IOs or IFIs (EIB, EU, IMF, World Bank) having clear preferences on repolonization though IMF reports emphasize risks associated with cross-border linkages in Polish banking sector (e.g. IMF 2012: 5)  *Inference: Only hypothesis that EBRD has a “guilty mind” passes hoop test* | No evidence of active involvement of most IOs or IFIs in (e.g. through provision of funding or active campaigning for) repolonization  EBRD’s 2013 signal of financial support can be considered as public support for repolonization ([A.6.2.27](#A6227)) although effectively the EBRD never provided funding for the repolonization of a foreign-owned Polish bank. By contrast,it subscribed in new BZ WBK shares in 2012 in order to help takeover of Belgian-owned Kredyt Bank (KBC Group) by Spanish-owned (Santander Group) BZ WBK (Pyrkalo 2012)  *Inference: Only hypothesis that EBRD is involved passes hoop test;* | *Not relevant for most IOs or IFIs given their failure to pass hoop tests*  The EBRD signals its openness to (2011) and support for (2013) repolonization *after* the first (2008-9 and 2010) takeover attempts  *Inference:* *The EBRD can be seen as an “enabler” – but not an initiator – of repolonization* |

# A.6.2. Specific pieces of evidence on the repolonization of banks

## A.6.2.1. – PO 2007

Platforma Obywatelska (2007) *Podstawy programu politycznego Platformy Obywatelskiej RP [Fundamentals of the political program of the Civic Platform]*. Warsaw: 2007.

**Chapter 4 – Sound finances, low taxes, modern economy**

*Completing privatization*

State property, as practice shows, condemns the economy and enterprises to backwardness and is a source of pathologies. Its consequences are slower economic development and a lower standard of living in society. (…) The cure is privatization. Its completion is a very important element of the policy of unlocking the potential of the Polish economy. We propose, among other things, the introduction of a long-term privatization plan - so that it is independent of the current budget structure. We write more about it in the next part of the Program.

(...)

**Chapter 5 - Ownership**

An essential element of citizens' freedom is economic freedom based on private property. The institution of the state was created because people recognized it as the best guarantor of their freedom. The right to property is, next to the right to life and freedom, one of the fundamental human rights and constitutes the basis of the legal, economic and social order.

(...)

*Diffusion of ownership*

It is necessary to strengthen the modern model of the free market economy in Poland by basing it on private property, which is fundamental. This can be done by changing ownership relations in such a way that as many citizens as possible become owners. Owning property makes a citizen free and independent, and at the same time allows him to effectively join economic processes. This gives our country a chance to create a large and strong middle class, which in developed free-market countries is the foundation of a stable economy focused on increasing prosperity.

(...)

*Privatization*

In addition to the positive economic effects, the completion of privatization is also necessary from the point of view of extending the sphere of Polish ownership. Owing to ineffective ownership supervision, the value of enterprises is not adequately protected and therefore should be replaced with private property. Currently, over 20% of GDP is generated by state-owned enterprises. This share must drop dramatically.

## A.6.2.2. – PiS 2007

PiS (2007) Dbamy o Polskę, Dbamy o Polaków. Program 2007 Prawa i Sprawiedliwosci. Warszawa: Prawo i Sprawiedliwość

**Chapter 2: Economic Policy**

(…)

*State Treasury takes care of national property*

We intend to implement the government's announcements of the formulation and implementation of uniform corporate governance standards in state-owned enterprises. (…)

We intend to strengthen two key aspects of Treasury property management. The first is to define a clear ownership perspective and a long-term privatization schedule. We are convinced that the credibility of privatization processes and their effectiveness will be increased, and that the supervision over companies of significant importance to the State Treasury will be strengthened. The second aspect is the introduction of new instruments of ownership supervision over state-owned enterprises, ensuring proper care for the national property.

## A.6.2.3. – PO politicians 2007

Subotić, M. (2007, November 9) Autorytety, dwór i przyjaciele nowego premiera [the new prime minister’s authorities, courtiers and friends]. <https://www.rp.pl/artykul/68032-Autorytety--dwor-i-przyjaciele-nowego-premiera.html>

Bielecki, president of Pekao SA, has a unique position with Tusk. He is both an authority to him and his most trusted advisor. He knows the economy and suggests people who could take up important functions in the state. - I am convinced that Bielecki will play an important role in filling posts in State Treasury companies – believes one of his long-term friends.

(…)

Bielecki's other skills are indicated by Janusz Lewandowski, PO MEP [also one of the founders of the Gdansk Institute for Market Economics – IbnGR – and a former Minister of Property Transformation – i.e. privatization]: - He knows a lot about the techniques of government, and there are few such people in Tusk’s entourage. Bielecki was prime minister and minister, and when he was a candidate for MP in 1991, he received a record result in Warsaw. - He has experience and talent. It can help break the rule that the ruling party loses elections - predicts Lewandowski.

Tusk and Bielecki are eager to meet in Gdańsk. - They like to be welcomed by my spouse in our Gdańsk apartment. I usually sit in the corner and they talk - says Lewandowski.

(…)

## A.6.2.4. – PO politicians 2007

Polish News Bulletin (2007, November 12) Tusk’s team: Who is who in PO. Translation of *Wprost* article (November 11 issue)

(…)

The person with probably the biggest influence on Tusk is former PM Jan Krzysztof Bielecki, who presently holds the post of CEO of leading Polish bank Pekao SA. (…) Bielecki remains the future PM's guru concerning economic issues. "There is certainly a kind of intellectual dependency between them. While Tusk may have achieved more than Bielecki in politics, he still holds his point of view in high regard," says [Sławomir] Nowak [Donald Tusk’s 2007 campaign manager and Minister of Transport in 2011-2013]. The future PM himself admits that they have a tutor-pupil relationship. Bielecki's position is reflected in the number of people from his entourage who are likely to become members of Tusk’s cabinet, such as Jacek Rostkowski (Finance Minister) and Maciej Nowicki (Environment Minister).

(…)

Apart from Bielecki, the future head of government has one more mentor: Gdansk Archbishop Tadeusz Goclowski. (…) "Bielecki and Goclowski are the only people whose opinions may be decisive to Tusk. With others, he usually listens to what they have to say and picks the idea that he likes the best," says one of his co-workers.

## A.6.2.5. – Bielecki (Pekao) and Pruski (PKO) 2008/10

Jedlak, K. And Rutkowski, P. (2008, October 7) Połowa sektora może spać spokojnie [Half of the sector can sleep quietly]. *Parkiet*

Krzysztof Jedlak and Piotr Rutkowski talk to Jan Krzysztof Bielecki, CEO of Bank Pekao, and Jerzy Pruski, CEO of PKO BP, about the effects of the global financial crisis and the safety of the Polish banking sector.

(…)

**What do you think about press reports regarding Santander's willingness to purchase UniCredit assets?**

Jan Krzysztof Bielecki (JKB): One should not comment on gossip. But, if anything, one should only make humorous comments on it – it only confirms how valuable an asset Bank Pekao is.

**Perhaps the crisis offers some opportunities. Banks in Europe and around the world are very much being discounted. Pekao and PKO BP would certainly be able to afford some purchases abroad...**

JKB: Today it seems to me that there may be great opportunities for PKO BP. One should watch for new opportunities that may arise. So far, CEO Pruski’s bank has been, in my opinion, unfairly lagging behind in its development abroad in comparison with [Hungarian bank] OTP.

**You are talking about a competitor, but not about your bank.**

JKB: Of course, I am. This is because we are part of a large group that is known for its appetite for expansion. And now, after a rapid development phase, we need a moment to breathe and time to work calmly.

**Mr Pruski, have you been looking at any opportunities?**

Jerzy Pruski (JP): The situation is too serious for me to risk saying one word too many. We have not yet reached a stage where the solution to the crisis would be in the hands of private companies. Until recently, the only such case was when Bank of America took Merrill Lynch over. Currently it is mainly central banks and governments that intervene. What does it mean? It means that the market is still looking for the right price. There are opportunities, but when you catch a falling knife, be careful not to cut yourself.

**What can you say about any talks with OTP?**

JP: Recently, I met with representatives of this bank, but I will not comment on this.

**What if we narrow the question down to the Polish market? Does the situation create an opportunity for a consolidation of the banking sector in Poland?**

JP: I will not comment on the situation on the Polish market. It is very stable. The consolidation process is still ongoing, as demonstrated by the merger of Pekao and BPH. The current situation, however, may significantly accelerate this process.

JKB: The valuation of companies is changing, which increases the likelihood of an increase in the number of such transactions.

**If any opportunities arise, will you be interested in them?**

JP: The strategy of every bank's development is to expand its operations beyond one market. If appropriate opportunities arise, we will of course consider them.

(…)

## A.6.2.6. – Grad (Treasury) and Pruski (PKO) 2008/10

Wilkowicz, Ł. (2008, October 8) MSP chce, aby PKO kupowało za granicą [Ministry of the State Treasury wants PKO to buy abroad]. *Parkiet*.

The Minister of the Treasury, Aleksander Grad, believes that the current crisis is a good time for PKO BP to take over banks abroad

“We analyze every piece of information relevant to the implementation of the bank's strategy” - this is how Jerzy Pruski, CEO of PKO BP, answered questions about the possible acquisition of institutions that have suffered as a result of the current financial crisis at yesterday's meeting with journalists.

*Grad: "Both here and here"*

Pruski did not want to talk about details. He also refused to comment on information about cooperation between PKO BP and OTP, which appeared during the recent stay of Sándor Csányi, the head of the largest Hungarian bank, in Poland. PKO BP and OTP are the last two large banks in the region that are not controlled by Western capital.

In an interview for Radio PiN, Aleksander Grad, the Minister of the Treasury, (…) said he is in favor of taking over financial institutions weakened by the crisis. – “These are good times for a bank [PKO BP] that has a good position in Poland, is healthy and wants to build its position in this part of Europe. This is a good time to plan acquisitions, because one can buy cheaply”, said the Minister. Asked whether PKO BP should think about purchasing in Poland, or in Europe and in the United States, Grad replied: "both here and here".

- Regional expansion must be permanent and must be carried out in a thoughtful manner - said CEO Pruski. He pointed out that the bank’s development in the CEE region will be an element of the modified strategy of PKO BP. For now, PKO BP's foreign expansion is limited to Kredobank in Ukraine.

(…)

## A.6.2.7. – Grad (Treasury) 2008/12

Krześniak, M. (2008, December 2) PKO BP dostanie zastrzyk kapitału na przejęcia [PKO BP will receive a dose of capital for takeovers], *Rzeczpospolita*.

*A new strategy. The treasury minister wants the bank to use this propitious time for acquisitions*

Treasury-controlled PKO BP will not pay dividends for 2008, as the sell-off in the financial markets has created good opportunities for acquisitions, Treasury Minister Aleksander Grad told Reuters yesterday. In the afternoon, the bank also informed that the management board would recommend the annual general meeting to suspend the payment of dividends. The Ministry also wants to add equity capital to the bank so that it has funds for acquisitions. - We are preparing a bank recapitalization, but not because PKO BP is in a difficult situation, but because we want to use the opportunities more effectively - added Grad. However, he did not say how much the bank would be credited with. (...)

## A.6.2.8. – Bielecki (Pekao) 2009/01

Paradowska, J. (2009, January 26) Ucieczka na Zachód [Escape to the West]. *Polityka*.

<https://www.polityka.pl/tygodnikpolityka/kraj/280801,1,ucieczka-na-zachod.read>

(...)

**Janina Paradowska: And what have we managed least well [as part of post-1989 transformation], particularly in the economy?**

Jan Krzysztof Bielecki: In my opinion, we did not start making major economic errors until the mid-1990s. The pace of reform slowed down and we proved unable to create a Polish model of economic management. (...)

**Which economic mistakes started being made in the mid-1990s?**

My government’s 1991 bank restructuration program was aimed at selling banks to foreign investors. The aim was more about letting them in with a 35 percent stake so as to gain access to modern technology given that the sector was backward. I was deeply convinced that the most important thing was to raise knowledge, and that is why we needed the West like oxygen, which, however, did not mean that everything should be sold to it. An accelerated privatization of state-owned enterprises was used to plug the gap in the state budget. (...)

**Are you an enemy of foreign investments?**

I am not. We needed foreign countries to develop Poland technologically and in the field of management, but Poles cannot only be subcontractors, as they will lose all managerial skills. If we as Poles are only proud of the Polish plumber, then – with all due respect to this profession – we will not build a modern country, because we need engineers, IT specialists and high-class specialists.

**Would you like to come back to Polish politics?**

I have been close to it the whole time. I observe it. I can express my views. Sometimes someone even takes them into account.

**Are you a gray eminence?**

I am neither gray, nor am I an eminence.

## A.6.2.9. – story of failed AIG takeover attempt 2009/07

Samcik, M. (2009, July 29) Bajka o PKO, który nie umiał kupić AIG [The tale of PKO that was not able to buy AIG].

<https://subiektywnieofinansach.pl/bajka-o-pko-ktory-nie-umial-kupic-aig/>

AIG Bank Polska, one of the largest consumer finance banks in Poland, will be taken over by the Spanish banking group Santander. (...) And I still cannot understand how it happened that AIG's banking assets in Poland were not taken over by PKO BP. The negotiations were so advanced and both sides were interested in making a deal. At one time, I had several informal conversations with participants and close observers of the transaction. And on the basis of these discussions, I will try to recreate the course of events around the negotiations between PKO BP and the Americans.

The largest Polish bank (...) has failed to carry out any successful acquisition of another bank for years. It tried several times, but the results are meager - the list of PKO acquisitions only includes Kredobank in Ukraine, bought in 2004, and Bank Pocztowy, whose other co-owner is Poczta Polska.

Analysts predicted that the financial crisis that engulfed the world would be a chance for PKO BP to leap forward. (…) The "victims" could be Polish banks belonging to foreign owners having problems on their domestic markets. (...)

An opportunity appeared at the end of 2008. The American group AIG, which was saved from bankruptcy by a USD 75 billion government loan, began to get rid of its assets in Europe and Asia. A Polish bank belonging to AIG, specializing in cash and installment loans, AIG Bank Polska, was also to go under the knife. There were over one hundred outlets and a loan portfolio of approx. PLN 5 billion to be taken. In 2008, the bank generated almost PLN 200 million in annual profit.

In November 2008, the management board of PKO BP decided to enter the game for the acquisition of AIG by submitting a first non-binding offer. It is not known exactly how much it was. My interlocutors from government and banking circles give divergent amounts, ranging from PLN 1 billion to PLN 1.8 billion. It is not known whether PKO had any competitors at this stage of the talks. The supervisory board of PKO BP grants CEO Jerzy Pruski and his deputy Tomasz Mironczuk full powers for further talks on AIG.

At the turn of October and November 2008, PKO BP conducts a so-called “due diligence”, (...). It turns out that the bank will soon have to create provisions for bad loans. Pruski and Mironczuk used this to lower the price in the subsequent stages of the negotiations. A binding offer to buy the bank, submitted at the turn of November and December 2008, ranges from PLN 900 million to over PLN 1 billion according to various sources.

What happens next? One version of the events says that the Americans are furious. At the end of December 2008, they break off the negotiations, claiming that the price is too low. I heard from other informants that it was the Ministry of the Treasury that forced the management of PKO BP to leave the negotiating table because CEO Pruski had agreed to excessive financial terms for the transaction. Apparently, the contract was ready, and the Treasury pulled out of it by using a legal loophole.

Anyway, the case seems closed. But, already in January 2009, AIG and PKO unexpectedly return to the negotiating table. Americans need money because they have to pay off a government loan. Time is playing to their disadvantage because the economic situation is worsening month by month, so bank valuations are inevitably falling. The price for the Polish AIG Bank is falling again. Unofficially, it is said that the Americans have already gone well below a billion zlotys.

It seems that everything is going according to Pruski's and Mironczuk's plans. But some supervisory board members are starting to have doubts. - Why is the price falling so rapidly? If the value of AIG has dropped by half in a few months, maybe AIG Bank is worth nothing at all? Why did the management board of PKO previously want to buy the bank so expensively? - These are the questions asked to the executives by members of the supervisory board.

PKO BP’s bosses are caught between a rock and a hard place. On the one hand, the increasingly overpriced AIG Bank is there to be taken. On the other hand, the supervisory board and the Ministry of the Treasury, the main owner of the bank, are having doubts. According to reports ordered by Pruski and Mironczuk, the "real" value of AIG for PKO BP is two or three times greater than the price on the table. But it is more and more difficult to evaluate the risks related to the bank's loan portfolio, as the economic situation is deteriorating.

Finally, at the beginning of May, the heads of PKO BP make a difficult decision: they withdraw from the negotiations. Apparently, the idea was to wait until the situation on the credit market was clear and risks could be reliably assessed. But our interlocutors, close to the Ministry of the Treasury, claim that the truth is different: Given the lack of 100% support of the council, CEO Pruski simply did not want to take the risk – all the more so as some members of the council still claimed that PKO BP is ready to overpay for AIG.

Only one and a half month after the failure of the negotiations with AIG, the two PKO BP executives who dealt with AIG's case receive yellow cards from the supervisory board - the supervisory board does not give a positive opinion on draft resolutions granting discharge to them. Unofficially, the Ministry of the Treasury says that this is a penalty for mistakes in negotiations with AIG. The general meeting finally discharges Pruski and Mironczuk, but only a week later the supervisory board fires them. This is how PKO BP's dreams of taking over AIG end. (…)

## A.6.2.10. – PiS 2009

PiS (2009) Nowoczesna, Bezpieczna, Solidarna Polska: Program Prawa i Sprawiedliwości – Kraków 2009 [A Modern, Safe, Solidaire Poland: Law and Justice Manifesto – Krakow 2009]. Warsaw: Prawo i Sprawiedliwość.

**Chapter 3. Development Policy**

It is extremely important for the development of the Polish financial market to maintain the share of Polish capital in it. The State Treasury should therefore continue having a majority stake in entities with significant importance for the banking, insurance and capital markets. This includes PKO BP, PZU, the Warsaw Stock Exchange and the National Depository for Securities. If Poland does not maintain significant financial institutions representing its national capital, the Polish financial services market will be marginalized. (…)

The result of the marginalization of the Polish financial market is that its development will be slowed down and that all strategic decisions will be conditioned by factors other than the assessment of the situation of the Polish market and of the needs of the Polish economy. After the privatization of the Budapest Stock Exchange, Hungarians have seen how painful the effects of a marginalization resulting from privatization in the form of an acquisition by competing foreign companies can be.

*State Treasury*

The share of state property in the Polish economy is not high in relation to GDP. In some economically successful countries, the value of state-owned assets reaches 50 percent or even 80 percent of GDP (Finland, Slovakia) and, in many countries, it oscillates around 30 percent, i.e. at a level higher than in our country. A Law and Justice government will treat State Treasury property as an important resource serving development policy as well as social policy.

We strongly reject the notion that it constitutes an insolvent estate that the state should get rid of as soon as possible. At the same time, we see weaknesses in the current management of public property.

This concerns both the non-meritocratic, in fact partisan/party-based, criteria for appointing [SOEs] management and supervisory boards – which are rightly criticized by the media – and the even more important, although less publicly exposed, problem of the lack of real ownership supervision.

(…)

The assets of the State Treasury should be put in order and activated and used to stabilize various sectors of the market. In some cases, it should also be used to carry out tasks that are not driven by pure market logic, but by the country's security concerns. (…)

We should strive to maintain strong economic entities whose decision-making center is in Poland. Such entities are necessary in the energy, fuel, chemical and financial sectors. We therefore plan to establish a Polish Capital Group (Polska Grupa Kapitałowa), which will include PKO PB and PZU, and to merge PKN Orlen SA and PGNiG SA into the Polska Nafta i Gaz (Polish Petrol and Gaz) concern.

The crisis on the financial markets has proved how important the share of domestic capital is. As mentioned above, we will strongly oppose the further privatization of Polish financial institutions - PKO BP, PZU, the Warsaw Stock Exchange, and the National Depository for Securities. Such changes would reduce the possibility of pursuing a policy of rapid growth and would increase the marginalization of the Polish financial market and the stock exchange. The process is dangerous in any situation, but in times of crisis, the risk increases significantly as multinational corporations immediately restrict their activities in peripheral markets.

State Treasury companies will be divided into three categories. The first will be the so-called strategic companies, i.e. companies of significant importance to public order or public safety. They will remain in the hands of the state and the powers of state authorities over them will be the broadest. The second category includes companies that are very important to the national economy. These will also remain in the hands of the state. Their list will be established by the Council of Ministers. Some of them can be organized into holding companies. The third category includes companies intended for privatization. At first, it will be the largest group of companies, however, they are companies of relatively small value. (...)

## A.6.2.11. – Schetyna (PO) 2009/11

tvn24.pl (2009, November 25) Bielecki do NBP? PO go "zagospodaruje" [Bielecki to go to the National Bank of Poland? PO will “cultivate” him]. <https://tvn24.pl/polska/bielecki-do-nbp-po-go-zagospodaruje-ra116536>

(…)

Grzegorz Schetyna, the head of the PO parliamentary club [and considered as the informal deputy leader of the Civic Platform], said on TVN24 that he did not know the reasons for the former prime minister's resignation from work in the management board of Pekao S.A. - These are corporate secrets in the Italian bank, so I leave it to the banking sector - he said.

And he emphasized that he did not think Bielecki's departure had any impact on politics. "Will it have any [influence] in the future? We'll see," said Schetyna. And he added: - I do not think that this decision resulted from any political overtones.

Asked whether Bielecki will be a candidate to become PO leader or prime minister, he replied: - He is not a PO member; so far he has been involved in big business. Today that is a good question for Jan Krzysztof Bielecki.

## A.6.2.12. – BCC 2010/03

Chomątowska, B. (2010, March 9). Eksperci: przyspieszenie prywatyzacji i ARP do likwidacji. [Experts: Speeding privatization up and liquidating the Industrial Development Agency]. *Rzeczpospolita*. <https://www.rp.pl/artykul/444476-Eksperci--przyspieszenie-prywatyzacji-i-ARP-do-likwidacji--.html>

The Ministry of the Treasury should complete the privatization of state-owned enteprises in 2011 – suggests the Business Center Club in a program that Rzeczpospolita has had access to

(…)

Why in 2011? "It will be a period of political calm after the parliamentary elections and after the end of the Polish presidency of the European Union. Therefore, over the next two years, there will be time for the government to make a male [sic] decision as to which companies or blocks of their shares should remain the property of the state for a long time,” the study reads.

In the opinion of BCC, there is no doubt that companies from the area of state infrastructure, such as BGK, Gaz-System, PLK, PSE, PERN or sea port authorities, as well as from the area of cultural goods should be included in such a list. Property that is to be state-owned must be immediately separated from privatized property and handed over to ministries, primarily of those of the economy and finance, the BCC expert suggests. This proposal is in direct opposition to the solutions included in the new draft act on corporate governance.

BCC also postulates that, after the completion of privatization, the Ministry of Treasury „ends its life” and that the Industrial Development Agency be liquidated or that its functioning be changed.

(…)

## A.6.2.13. – Gazeta Wyborcza 2010/05

Maciej Samcik, Dominika Wielowieyska (2010, 26 May) Czy BZ WBK będzie polski? O czym rozmawiał J.K. Bielecki w Dublinie? [Will BZ WBK be Polish? What did J.K. Bielecki talk about in Dublin?], *Gazeta Wyborcza*.

(…)

There is more and more speculation that the Polish government may become involved in the search for an investor in BZ WBK. According to unofficial information from "Gazeta", the Ministry of the Treasury is analyzing the possibility of creating a consortium of Polish financial institutions that would take BZ WBK over.

Such a consortium could include Polish investment and pension funds as well as PKO BP or PZU (or both). Jan Krzysztof Bielecki, head of the Economic Council to the Prime Minister, is thought to be the organizer of the whole enterprise. As we found out from two independent sources, he was recently in Ireland to talk to AIB about such a scenario.

We heard from another source that representatives of the government contacted Stanisław Kluza - head of the Polish Financial Supervision Authority - regarding the investor for BZ WBK. And they found fertile ground because it is unofficially known that the supervision authority is reluctant to the idea of BZ WBK being taken over by a foreign bank that has benefited or uses state support in its home country.

(...)

We were unable to contact Jan Krzysztof Bielecki to confirm his commitment to the sale of BZ WBK. The Treasury did not comment on our information yesterday.

(...)

## A.6.2.14. – Sikora (Citi Bank Handlowy) 2010/06

Kurasz, J. and Szymanek, C. (2010, June 17) Ryzyko drugiej fali [Risk of a second wave), *Rzeczpospolita*

CEO of Bank Handlowy [Polish subsidiary of American banking group Citibank], Sławomir Sikora, in an interview with Jakub Kurasz ("Rz") and Cezary Szymanek (Radio PiN)

**Rz: Will Citigroup, which owns Bank Handlowy, buy Bank Zachodni WBK that has been put up for sale by the Irish?**

Sikora: We do not comment on acquisitions until they happen. Currently, there are no such plans.

**Can we please come back to your former role in the Ministry of Finance for a moment, when you were deputy minister? Would you support repolonization, i.e. the purchase of BZ WBK by Polish companies, for example by PKO BP?**

Every country should have strong financial groups, but this is more a matter of economic policy. I am looking at this idea with great interest.

(…)

[N.B.: some of my interviewees have also mentioned Sławomir Sikora as an important *early* supporter of the repolonization of foreign-owned banks]

## A.6.2.15. – Grad (Treasury) and Jagiełło (PKO) 2010/06

Niklewicz, K. (2010, June 23) PKO BP spróbuje samodzielnie kupić BZ WBK [PKO BP will try to buy BZ WBK independently]. *Gazeta Wyborcza*.

- On June 28, PKO BP will submit an offer to purchase BZ WBK shares. Everything is ready, especially the sources of financing - Treasury Minister Aleksander Grad told Gazeta.

(…)

The State Treasury, which controls 51 percent of PKO BP shares, can help it [PKO BP] in its charge on BZ WBK shares, including by relinquishing its claims for the payment of a dividend from last year's profit (over PLN 2.4 billion) of the largest Polish bank. - We will strongly support PKO BP in this process. At the next general meeting of PKO BP shareholders, the State Treasury will apply for a 30-day break. We need this break to see if PKO BP will have a chance to buy BZ WBK shares from AIB, Grad said yesterday. The rest of the money for the purchase of BZ WBK shares will come from the 2008 profits deposited at PKO BP (PLN 2 billion) and from money from last year's share issue (PLN 5 billion).

(…)

- I assure you that recapitalization funds will not be used to the detriment of any strategic goal of the bank. Let me add: all PKO BP shareholders should keep their fingers crossed for this operation to succeed. Because it will increase the value of PKO BP - Grad told us.

(…)

PKP BP representatives commented on the words of the Minister of Treasury very briefly. - We want our bank to be the undisputed leader of Polish banking. We therefore carefully observe the banking environment and draw conclusions. Our activities are focused on the Bank's growth, in terms of quantity and quality. We welcome all actions of shareholders that support us in this way – said the CEO of PKO BP, Zbigniew Jagiełło. (...)

## A.6.2.16. – Sejm 2010/06

Sejm (June 23, 2010) Komisja Skarbu Państwa (nr 150). [Full record of the meeting of the State Treasury Committee]

<http://orka.sejm.gov.pl/Biuletyn.nsf/wgskrnr6/SUP-150>

**Chairman Tadeusz Aziewicz (PO – Civic Platform):**

(…) The agenda of today's meeting provides for the discussion of the Economic Council's proposals regarding corporate governance in State Treasury companies. Jan Krzysztof Bielecki, chairman of the Economic Council, is speaking. (...)

**Chairman of the Economic Council to the Prime Minister Jan Krzysztof Bielecki:**

Mr Chairman, ladies and gentlemen, thank you very much for the opportunity to present to the Commission a proposal that was first born in the Council, and then began to mature at the governmental – inter-ministerial – level. The issue of managing companies with Treasury shareholding in times of mounting crisis seems to be very important. There is also the issue of how these companies should devise their own strategies. We therefore decided that a specific approach to shaping these companies’ corporate governance might have to become the subject of legislative decisions.

I would like to ask you Mr. Chairman to allow Mr. Adam Jasser, the Undersecretary of State in the Chancellery of the Prime Minister - who is formally attached to the government structures – to make the presentation. I and the other members of the Council work voluntarily. We do not earn any salaries. We do not use company cars and telephones. But today I can afford to do something pro publico bono.

(...)

**Undersecretary of State in the Chancellery of the Prime Minister Adam Jasser:**

(...)

I am being paid for what I do, so I will try to convey the key proposals of the Economic Council to you.

I would like to start with the diagnosis that resulted from our considerations. Well, the global economic crisis has revealed the dangers of rapid capital flows, not always based on economic logic, but dictated by different moods, such as panic. World experience shows that large companies with strong local capital are one of the foundations of most countries’ economic development, stability and international position. We tried to look at whether there are any countries where the State Treasury can play this role. We have seen that, for example, in Norway, state ownership effectively compensates for the weakness of private domestic capital. As a result of various analyzes, we have come to the conclusion that separating ownership and management functions and adopting the highest global corporate standards are a necessary condition for an effective and efficiently functioning state ownership.

The starting point of the presented model was the Norwegian system, characterized - as I mentioned - by the separation of ownership and management functions. In other words, it is about maintaining the state's participation on the one hand, and about marketizing the management of these enterprises on the other hand. (...)

In addition to discussing the Norwegian model, we gathered the views of domestic and foreign experts. Ee also got acquainted with the opinions of consulting firms and of specialists in recruiting business leaders because, when we are talking about strengthening supervisory boards, the key issue is the selection of supervisory board members. We met with business organizations. Finally, we are meeting with the State Treasury Committee to hear the opinions of your deputies on this subject.

The recommendations of the Economic Council do not mean - as Prime Minister Bielecki mentioned in many interviews - re-nationalization or stopping privatization. On the contrary, an economy based on private property is a fundamental strategic goal. Thus, the continuation of privatization processes is needed for the economy and the state. Another goal recommended by the Council is openness to portfolio and "organic" [greenfield] foreign investments.

We also want to take action to help expand Polish "champions" in Europe. Why does Poland not have banks like Santander? The Polish economy is comparable to the Spanish economy, and there are no such champions.

We want to prevent the rise of oligarchs and wild acquisitions of key companies. Maintaining national control and creating a barrier to manual control by politicians and eliminating pathologies - these are other strategic goals. (...)

The National Ownership Supervision Program has two basic tasks. Firstly, it aims at selecting a group of key companies in which the state will remain a strategic investor, according to the following criteria: European or global potential, strategic importance for the economy, special character (e.g. importance for state security).

Secondly, it aims at introducing a new corporate governance and management organization based on private sector best practices from developed countries. Here, the separation of supervision from management is important. Supervision and management need to be based on specific indicators. Supervisory boards and management boards need to be professionalized and to have higher competences; without this it will not be possible to achieve goals based on specific indicators. It is also very important that all shareholders are treated equally. (...)

Next, we want to create a Nominations Committee, which would implement a very professional selection of candidates for supervisory boards by taking into account the goals set by the supervision authority. This means strengthening the role of the supervisory board in creating the strategy and achieving the company’s goals. This is a significant strengthening of the role of the supervisory board, and especially of its chairman, as a person who can reconcile different views and be responsible for the company’s strategy and activities.

As for sector ministries and regulatory authorities, they should primarily create policies for certain sectors of the economy, but should not be directly involved in supervision.

I would now like to devote a little more attention to the institutions we propose to establish. The Nominations Committee should consist of a small group of specialists, professionals, experienced managers (including foreign ones), people with high professional reputation and experience, meeting high ethical standards. The role of the Committee would be to search for the best candidates to carry out specific tasks in specific enterprises.

The second key institution would be the Department of Corporate Supervision, which - according to the program - would focus primarily on increasing the value of enterprises. It would consist of a group of professionals modeled on "private equity" firms. The activities of the Nominations Committee are to lead to strengthening the supervisory boards – and this is the central part of our proposal. (…) We want supervisory boards to have strategic competences and experience in management, just like in the best companies in the private sector. Apart from having knowledge about the economy, members of supervisory boards should be knowledgeable of the market, should have independent views, experience, a focus on achieving goals and multiplying capital.

(...)

When it comes to implementing the National Corporate Supervision Program, we are currently consulting a wide number of organizations about its assumptions. We started those consutlations with the State Treasury Commission. As I mentioned earlier, the model I am presenting today is the result of discussions with the Minister of the Treasury and the Ministry’s team, which is trying to translate our proposals into the necessary legislative changes. (...)

**Chairman Tadeusz Aziewicz (PO):**

(...)

Let me be the first one to speak. I would like to share some reflections and ask questions about issues that seem important to me.

The first question concerns the scope of the state sector in the economy. Do the authors of the program think about the presence of state property in the economy in broad or narrow terms? How wide would the range of entities be? Is the list of companies included in the program static or dynamic? Is it an open list?

(...)

There is also a question about the constitutional responsibility of the Minister of the Treasury. What will his role in this process be?

State ownership is imperfect from the point of view of efficient management. I have no illusions that it will be possible to create a structure that will be an effective replacement for a private owner. If we assume that a certain part of our economy must remain state-owned, then - with full humility - we must take the best actions to improve this system. It seems to me that the Economic Council's proposals go in this direction.

Mr Marek Suski has come forward.

Please, sir.

**Marek Suski (PiS – Law and Justice) MP:**

Mr Chairman, ladies and gentlemen, I am pleasantly surprised by the proposals presented. Let me remind you that we have been saying for the last 2.5 years that the functioning of the state requires that some extremely important enterprises remain under the supervision of the State Treasury, even if the management results were slightly lower than if these enterprises were privately owned. It is in the state’s interest for it to have an influence on companies that determine the country’s development and security.

I am very pleased with these proposals. I hope that the government of the Civic Platform will not throw this very interesting concept away. However, it is difficult to refer to detailed solutions, e.g. the appointment of a Nominations Committee. If this process were to resemble the ordinance of Minister Grad regarding the apolitical election of representatives on supervisory boards and management boards, I am afraid that this could lead to an even greater politicization instead of a depoliticization. On the other hand, when it comes to strategic companies, one should not create mechanisms that would eliminate the possibility of state influence on the staffing of supervisory boards if we want the state to retain some influence due to its ownership or shares in these plants. We are not talking about managers selected through a computer. The element of trust is important. In the case of these companies, there must be 100 percent or close to 100 percent trust in the people to whom we entrust strategic national assets.

The Nominations Committee is described quite enigmatically. After getting acquainted with the details, we will be able to ask specific questions.

(...)

We are ready to work on such a program. For two and a half years we had an argument, even with the chairman who argued that there was no need for the State Treasury to have any property. And now, from the heart of this government, Mr. Bielecki has brought a very interesting idea that I welcome.

Thank you very much.

**Chairman Tadeusz Aziewicz (PO):**

Thank you, Sir.

However, I would prefer to articulate and defend my views myself. I did not express the opinions mentioned by the honorable Member. But that does not matter in the context of the topic of today's debate.

(...)

**Chairman of the Economic Council Jan Krzysztof Bielecki:**

(...)

Thank you for the questions. I will try to answer them with the help of my colleagues.

The first issue concerned the scope of the state sector in the economy and the formation of the list of companies. I am not a central planner who knows everything and tells what the scope of the state sector in the economy should be and what number of companies should remain under state supervision. I look at this problem from the other side. Recognizing the need for the most effective functioning of public property and its growth, I would like the management and supervision of this property to be the best possible in order to transfer experience from the private sector and improve the quality of management.

(...)

Regarding what Mr Suski said, I would like to point out that I agree with the honorable Member almost in full except for one point. We should not immediately assume that the quality of management in public companies with State Treasury shareholding may be worse than in private companies. While this can often be the case, there is evidence, also from other countries, that the opposite may be the case. This is also proved in some way by the example of PKO BP.

**Marek Suski (PiS) MP:**

I guess they will throw you out of the Civic Platform? We were harassed for such views for 2.5 years.

**Chairman of the Economic Council Jan Krzysztof Bielecki:**

I would like to inform the honorable Member that, before someone fires me, they would have to sign me in first. (...)

## A.6.2.17. – Reuters 2010/06

Reuters - wiadomości po polsku (2010, June 23) Państwo powinno kontrolować ważne spółki-Bielecki [The state should have control over important companies-Bielecki]. Retrieved through Factiva

(...)

The former Prime Minister [Jan Krzysztof Bielecki], and currently the head of the Economic Council advising the Prime Minister, presented the National Program of Ownership Supervision to the parliamentary Treasury Committee (...)

"As large international corporations (Renault, Fiat, banking groups) were under pressure from markets or their governments during the crisis, their behavior has shown the risks associated with the lack of a strong domestic owner of key companies for the economy," said one of the documents distributed to MPs.

"The interest of an international group may lead to economically irrational local decisions. (...) We also see examples of such behavior in Poland and, in the opinion of the Council, we should not be a passive observer of this process, but create active entities that are independent of the opinion of their foreign headquarters" - says the document.

(...)

The program presented by Bielecki assumes that the state should maintain control over companies characterized by "high development potential" and "a certain critical mass for the national economy". The list of such companies should be submitted to the government by the Ministry of the Treasury.

"It can be expected that it will be around 20 companies. (...) Significant shares in most of them should go to public trading, strengthening the Polish capital market.

(...)

Nevertheless, the state as a majority or minority but dominant shareholder will retain corporate control over these companies "- it was written.

The program also stated that while the effects of privatization of the banking sector in Poland are positive, the current 20 percent share of Polish capital in the sector is too small.

(...)

## A.6.2.18. – Morawiecki (BZ WBK) 2010/06

Morawiecki, M. (2010, spring) System finansowy i korporacje krajowe a podmiotowość Polski. In J. Szomburg (ed.) *Jaka podmiotowość Polski XXI wieku? : Kongres Obywatelski*. Gdańsk: Instytut Badań nad Gospodarką Rynkową, pp. 93-99.

**The capacity of the financial system to be an autonomous actor**

The growing internationalization of capital and other processes that make up globalization require that, first of all, one answers the question of what the capacity to be an autonomous economic actor means in today's reality and what it means for the financial system and of its three subsectors - banking, insurance and capital today – to be autonomous.

Nearly 80 percent of the banking sub-sector is in the hands of foreign entities. This would indicate that we are dealing here with a questionable or at least somewhat blurred capacity to be autonomous. We have had such a situation since the end of the nineties, and this rather long perspective allows us to state that it is not as bad as the level of dependence would suggest. Although the majority of our [Poland’s] banks are owned outside the country, there is no conflict of interest. Many years of practice prove that most Polish banks with dominant foreign capital act in the interest of Poland and are largely independent of their headquarters. In most banks with foreign participation, it is at the domestic level that almost all credit decisions or liquidity and currency limits are made. The most important thing in a bank is the credit policy, and the related credit decisions are made and implemented in the interest of Poland, Polish companies and Polish households. On the other hand, the largest capital undertakings undertaken in these banks – transactions of hundreds of millions [of zlotys] – require a countersignature from the headquarters. I do not want to undermine the role of an element as fundamental as ownership. Of course, it is very important and Polish participation in it should be greater. However, practice shows that it is not always the dominant parameter of the capacity to be autonomous.

Generally speaking, however, we can say that the Polish banking sector is autonomous. It makes capital and credit decisions that are beneficial for our country. Some potential threats hidden in the ownership structure of Polish banks should nonetheless not escape our attention. After all, it is worth remembering that, during the crisis year 2009, PKO Bank Polski was the only large bank in which the total amount of loans increased. Lending also increased in most cooperative banks and in Bank Pocztowy [Postal Bank], while in banks with foreign capital the lending policy was much more cautious. This is not a Polish exception: in other EU countries, banks with a dominant share of domestic capital of were also more credit-active.

At the end of 2008, at the outset of the crisis, we witnessed a situation that could spark a problem that, although it only concerned banking, could have brought about complications of a completely different nature. In the country of our Western neighbors, a project was then maturing, as a result of which a very large German bank - Commerzbank - was to be nationalized in its entirety. As we know - this is partly what happened. Full nationalization of Commerzbank would mean that BRE Bank [Commerzbank’s Polish subsidiary] would become part of the German state financial system. It is also not difficult to imagine a situation in which the German government would wish to involve Commerzbank, together with its subsidiaries, in the construction of the [Russian-owned] Nordstream gas pipeline bypassing Poland. We would then have a rather interesting problem in our country, not of an economic but of a political nature. Luckily, such a situation did not happen. However, we were close to it and its reality should make us aware of the possibility of complications arising from the large share of foreign capital.

Yet another problem concerning the capacity of Polish banks to be autonomous is the functioning of some units as "branches" of banks with foreign headquarters. An example is Polbank, the "branch" of the Greek EFG Bank. The legal basis for such an operation is the so-called European passport, and its characteristic features are the subordination of such branches to the supervision authorities of the country of origin (in this case Greece) and the fact that the security of deposits is based on the guarantee system in the country of origin.

It is also worth paying attention to changes in the structure of some banks with foreign participation, which put the development of certain banking functions in Poland into question. This is called divisionization, i.e. a very far-reaching dependence of individual business or operational lines on foreign headquarters. Polish banking supervision authorities have announced that such structural changes will be subjected to a thorough analysis from the point of view of their consistency with Polish banking, tax and other regulations governing the activities of the financial sector.

(...)

**Polish national corporations**

The large number of Polish medium- and small-sized enterprises is an important national asset: They are proof of the entrepreneurial, active attitude of Poles and have a significant positive impact on our realities. They should certainly be supported as much as possible through better legal solutions, more efficient courts, better infrastructure and credit supply.

However, I would like to draw your attention to larger companies and to the fact that we are on the threshold of opportunities that the crisis is paradoxically opening up for us. We are standing on the threshold of a unique opportunity consisting in the possibility of creating large, domestic corporations. After all, today's situation is completely different from the reality of the early nineties. It often happened after 1989 that we were fed with a mush of internationalist cliches, for example about capital being without borders. The belief in such a system served, among others, large foreign corporations. During the first 10 years of economic transformation, such thinking was justified and the results it brought were mostly beneficial for the country. In the nineties we were recovering from communism, including the deep mental collapse associated with it.

We needed not only a free market, capital injection, new technologies, know-how, but also a new way of thinking, organization and management skills, and all of these from an elementary level. There was a shortage of capital and there was a shortage of people who knew how to optimally use this capital. However, we started to learn it at a fast pace 20 years ago and we, as Polish society, have learned a lot since then. Starting from the first years of this century, privatization using earlier methods was less and less justified. In a way, it took place through momentum, although from 2005 there were proposals from the State Treasury to make greater use of the existing elements of the capital market, pension funds, investment funds and stock exchange capital.

The sale of our domestic assets for small money was justified shortly after the collapse of the Polish People's Republic, but should not have happened two decades after this historic breakthrough. Let us note a few facts. KGHM [state-owned copper producer] was recently worth more than large mines in the US, TPSA [telecommunications company] was worth more than Motorola, TVN [television network] exceeded the value of the famous New York Times, and PKO BP had a higher capitalization than the entire Commerzbank. In spring 2010, the value of Bank Zachodni WBK SA is three times the value of AIB - the Irish parent company. To some extent this is a result of the crisis, but neither is the crisis so extraordinary.

The above-mentioned examples should encourage us to create and support the creation of large national corporations. Such corporations mean the possibility of devoting large resources to development, research, experimentation, new projects, patents, prototypes and pilots. Large multinationals are capable of making serious investments and spending a lot of money on innovation. In Poland, we have incomparably fewer such centers than in the West, and we are also starting to stand out from dynamic Asian countries such as Malaysia or Thailand, not to mention the growing power of China in this area. As a rule, most research and development centers are located near the headquarters of large corporations, i.e. around London, Vienna, Munich or Paris. If we have large domestic companies, we will have growing research and development centers in the vicinity of our large cities and major Polish research centers - near Warsaw, Krakow, Wrocław or the Tri-City. For decades, our state budget has not been able to cost more for research and development than the 0.67% adopted every year. So also Polish innovation and science have a serious growth factor to gain here.

Large corporations also have a large share in international trade. A significant part of their import is re-exported. Such companies have greater ease in looking for new sales markets, they can afford lawyers, fight for their patents, and take care of the benefits of the intellectual property they have created. And this is a great opportunity for Poland, where tens of thousands of excellent engineers, IT specialists, researchers and scientists are educated. A common problem is the inability to properly manage them in the country, and the consequence is a drainage of the best resources abroad.

Large entities also have a much greater access to capital (loans, forms of collateral, bonds and other capital market instruments) and, therefore, high investment potential, as well as trade opportunities at a completely different level. Effective corporations also have the ability to buy other companies. (…)

Very often, in the process of consolidation of large companies, a minority share of the state treasury would be needed. It is well known that state-run firms are not doing well, but the state’s participation may be important for a protection against hostile takeovers. Therefore, the key problem in this context is the increase in the efficiency of corporate governance in these corporations. There are three main problems with the ownership supervision of the State Treasury over companies: suboptimal procedures for selecting corporate bodies; short duration of the composition of corporate bodies; lack of knowledge and lack of business and operational experience of officials in supervisory or executive functions.

A fundamental requirement for the efficient functioning of corporate governance is the transparency of recruitment, supervisory, management and audit activities. There are a number of rules, the development and implementation of which could immeasurably strengthen the supervision and management of Polish large entities (before or after consolidation) with the participation of the State Treasury. For example, the term of office of supervisory board members should be at least partially independent from the political cycle and should be longer than today (e.g. 4 years). Under certain conditions, it should not be easy or even possible to dismiss members of the board as long as there is no breaking the law or other violations.

The problem of supervisory boards, their composition, durability and quality, which is underestimated in Poland, is absolutely crucial for the efficiency of operation of large companies, especially those with a greater or lesser share of the State Treasury. In addition to the term of office and actual knowledge of a given industry (the board should always include an expert of the sector in which the company operates), it is worth emphasizing the importance of the composition of the board, predispositions and qualifications of individual members, staffing of such fundamental areas as audit committees, remuneration committees, and especially the function of the chairman of the council. The nomination committees appointing members of supervisory boards, as well as the boards themselves, should include people who are very well versed in business.

In the case of supervisory boards of large companies with State Treasury shareholding, it is also extremely important that they mostly consist of non-executive members and persons with a status independent of the parent entity.

This is not the place to describe all those principles, but it is worth referring to foreign models, such as Norway or France, where the principles of corporate governance favor the growth of large companies, including those with a significant or majority State Treasury share. It is also worth implementing the same reporting arrangements that listed companies have to follow.

The consolidation of a number of enterprises and the creation of large national corporations on their basis is a great opportunity for the promotion of our economy particularly in the current situation. This applies to many industries and enterprises and may constitute both a civilization leap and a greater capacity of our country to be autonomous.

*[N.B.: the last paragraphs of Morawiecki’s essay allude to the Tusk Council’s agenda to depoliticize and professionalise the governance of SOEs 🡺 See also* [*A.6.2.16*](#A6216)*;* [*A.6.2.31*](#A6231)*]*

## A.6.2.19. – Lewiatan 2010/09

Lewiatan (2010, September 9). Forum Ekonomiczne w Krynicy [Economic Forum in Krynica] <http://konfederacjalewiatan.pl/aktualnosci/2010/1/forum_ekonomiczne_w_krynicy>

Henryka Bochniarz, President of PKPP Lewiatan, was a guest of the 20th Economic Forum. Her participation in panel discussions, especially her polemic with Jan Krzysztof Bielecki, have attracted wide attention among Forum participants and the media.

H. Bochniarz participated, among others, in a panel – organized by the consulting company McKinsey – on opportunities and challenges for the leaders of the Polish economy. (…) In her opinion, one of the ways to increase the competitiveness of the economy is to complete privatization, including reducing the state’s presence in many large companies. Private owners will make them more effective.

This view was challenged by Jan Krzysztof Bielecki, Chairman of the Council of Economic Advisers to the Prime Minister of Poland. In his opinion, the good results of many companies in which the state owns shares make it necessary to revise the view that private ownership is always more economically effective [than state ownership].

This polemic touched upon one of the most fundamental disputes regarding the modern economy, not only in Poland. It was therefore later commented upon quite loudly in Krynica and in the media.

A follow-up on the topic took place in another panel – organized by PZU – devoted to the new principles of corporate governance. This time, Prime Minister Bielecki supplemented the opinion he expressed day before by declaring that, in general, private ownership is better than state ownership, but there are exceptions to this rule – e.g. PZU, KGHM or PKO BP. In his opinion, these companies make good use of their market opportunities and the state should not necessarily sell its shares in them. This view was easier to accept for the other panelists, including H. Bochniarz, and the discussion was clearly less emotional, but it did not end with unambiguous conclusions.

(...)

## A.6.2.20. – Tusk 2010/09

Carswell, S. (2010, September 15). Polish premier 'respects' AIB over bank sale decision. *The Irish Times*. <https://www.irishtimes.com/business/polish-premier-respects-aib-over-bank-sale-decision-1.650940>

Poland’s Prime Minister Donald Tusk says he respects AIB’s decision to sell its Polish division, Bank Zachodni WBK, ahead of an offer from the state-controlled lender, PKO Bank Polski.

Mr Tusk said it was “a pity” PKO failed in its bid to buy AIB’s stake in BZ WBK, Poland’s third largest bank, but the government would not interfere in the regulatory approval process. “The world moves on,” he said. (…)

## A.6.2.21. – Kaczyński 2011/02

NiezaleznaTV (2011, February 1) Konferencja gospodarczo-społeczna Prawa i Sprawiedliwości - O Gospodarce, o Polsce, o Nas – Jarosław Kaczyński [Socio-economic conference of Law and Justice – About the economy, Poland and ourselves – speech by Jarosław Kaczyński]<https://www.youtube.com/watch?v=IYTdP-L2oeg>

[Minute 21:25 of Jarosław Kaczyński’s speech – where he talks for the first time about the repolonization of banking]

(…)

We must make efforts to re-polonize Polish banking. There is an example worth mentioning. The bank, which is a combination of Wielkopolski Bank Kredytowy (WBK] and Wrocław-based Bank Zachodni [BZ], was for sale. It was for sale, but unfortunately it is not for sale anymore.

An effort is needed to ensure that Polish banks operating in Poland are taken over by Poland and that they are taken over even if domestic capital does not have adequate resources. We have to take over these banks even when subsidies from the state are needed.

Here we can also use the fund [National Capital Fund – Krajowy Fundusz Kapitałowy] that operates at the Ministry of Economy and currently supports enterprises using new technologies. This fund should be developed. (…) This is a very important issue at the moment, because we now know that capital has a nationality and that we had to do with a withdrawal of capital from Poland during the crisis. Since, in the coming years, there is a prospect that some banks that are currently in foreign hands will be put up for auction, we must participate in this process with full determination.

(…)

## A.6.2.22. – Bielecki and PO politician 2011/08

Czupryn, A. (2011, August 26) Jan Krzysztof Bielecki. Najsilniejszy filar przyszłego rządu Tuska [Jan Krzysztof Bielecki: The strongest pillar of Tusk’s future government]. *Polska Times*

<https://polskatimes.pl/jan-krzysztof-bielecki-najsilniejszy-filar-przyszlego-rzadu-tuska/ar/443277>

He is one of the most influential people in Donald Tusk’s closest entourage. (...) Is it enough for him to continue to function in the public sphere as, as they say, the grey eminence of Tusk’s cabinet and as someone who "entered the government through the kitchen door"?

Jan Krzysztof Bielecki smiles at these words. - One cannot hide that it is not easy to convince the public that you can do something pro publico bono. The iPad you see is mine. The phone is also my property, I do not have a business phone. I also do not receive any salary. I understand that this may be of some concern, as some people find it quite difficult to see or find any actions that would indicate that I am indeed functioning as a grey eminence – i.e. as someone who places, arranges, stacks the cards and proposes personal solutions. There are no such facts, so maybe some people are wondering why there is a madman in Poland who works for the prime minister on a voluntary basis and for free - says Jan Krzysztof Bielecki.

(…)

Probably, whether he wanted to or not, Bielecki would be acting as the prime minister's advisor anyway, but unofficially. So it is better if it does it officially, says Dzikowski [long-time PO parliamentarian].

(…)

- You could say that I have planned this period of my life – i.e. the time after I have finished working in the bank. It is quite a comfortable situation when a bank pays you money under a non-competition clause. It gives you a feeling of independence and you can do what you want. And the functioning of the Council of Economic Advisers, although it is a charitable body, allows to broaden the scope of analysis of many documents in situations that are important from the point of view of the economy. We are currently living in the worst turmoil in the world's economic history since the 1970s and Poland is also one of the actors and subjects of these events. I believe that from this perspective we can provide interesting observations and formulate conclusions from a new angle - adds Jan Krzysztof Bielecki.

## A.6.2.23. – Bankers 2011/11

Krześniak, M. (2011, November 22) Bliżej repolonizacji banków [Getting closer to a repolonization of banks]. *Rzeczpospolita*.

Repolonization is the main topic of conversations between Polish financiers. New like that released yesterday by the Portuguese weekly "Expresso" will certainly accelerate the process of building a strategy for this issue among domestic investors. The newspaper revealed that three Chinese banks are interested in acquiring shares in Banco Comercial Portugues, owner of Bank Millennium in Poland.

(...)

We present the ideas related to possible ownership changes in the Polish banking sector, most often mentioned in the corridors of CEOs’ offices of – both foreign and domestic - banks. We talked to four heads of large institutions who nonetheless wanted to remain anonymous.

1. Buy-out by Polish institutions

The most seriously analyzed variant is a direct participation of Polish institutions - with appropriate equity capital – that would be able to buy back controlling stakes. In practice, this variant is about PKO BP and PZU as well as the Getin group belonging to Leszek Czarnecki. (...)

- The repolonization of Polish banks is an interesting idea, but domestic banks are priced dearly - said President Andrzej Klesyk recently. (…) - We are looking at interesting market opportunities. If there are large transactions on the Polish market, we will enter them - declared Klesyk.

2. Sale through the stock exchange

The second concept is to buy shares from the existing strategic investor and then sell these shares through the stock exchange [with dispersed shareholding]. (...)

3. Private equity funds (...)

4. Investors from new countries [China, Turkey, even Russia] (...)

5. Special fund

There was also a concept of creating a special fund that could buy back shares in banks. It could be established on the basis of various companies and institutions in which the State Treasury holds shares. (…)

## A.6.2.24. – Berglof (EBRD) 2011/11

Walewska, D. (2011, November 24) Będą zmiany w bankach [There will be changes in banks]. *Rzeczpospolita*.

A repolonization of financial institutions may be necessary, says Erik Berglof, chief economist at the EBRD

**Rzeczpospolita: We hear disturbing information about the European banking sector on a daily basis. We hear about the need to recapitalize banks and that S&P is threatening to downgrade ratings. What dangers does this imply for the CEE region?**

Erik Berglof: No country can escape the impact of a financial collapse of European banks. At the moment, it is the need to subsidize Western banks that complicates the situation the most. In these circumstances, Western banks will have two options: either they will have to get rid of their assets in Central and Eastern Europe or they will have to look for money elsewhere. If it turns out that they are unable to find funds in the private sector, governments will have to chip in, but governments are reluctant to use taxpayers' money to rescue subsidiaries, especially outside the euro area. If banks received such aid, institutions that ensure fair competition would become interested in that aid, and the banks would have to undergo restructuring.

(…)

**Some have suggested that it might be worth using this crisis to repolonize Polish banks.**

Let us start with the fact that foreign banks have played a very positive role in the development of the Polish economy. And when we talk about a polonization, let us consider who can manage such institutions best. And is the nationality of capital really the most important thing? We should delude ourselves; banking will change after this crisis. If it turns out that we are not able to ensure stable financing conditions for the development of the region, then perhaps in the case of Poland the polonization of financial institutions will turn out to be the most reasonable solution. It may even be a necessity. However, I believe that it would be better for both Europe and Poland if foreign banking institutions remained here. It will probably turn out that it is best when Poles manage some institutions while foreigners manage the rest. However, polonization as an idea is not a good solution in itself.

## A.6.2.25. – Balcerowicz 2011/11

Rzeczpospolita (2011, November 25) Balcerowicz przeciw repolonizacji banków [Balcerowicz opposes repolonization of banks]

[quotes by Leszek Balcerowicz – former Minister of Finance and head of the National Bank of Poland – cited in the article]

(...)

- After returning from a two-month stay abroad, I noticed that bizarre terms have appeared in the country and that the media treat them seriously. What does "domestication" [“udomowienie” – term introduced by Stefan Kawalec – a former Finance Ministry official, and advisor to Leszek Balcerowicz, in charge of bank restructuring in the early 1990s; a “domestication” is supposed to be achieved via dispersed shareholding instead of giving the state or state-owned enterprises a controlling stake] mean? Until recently, I thought that it is wild animals that are domesticated, and now it turns out that one can domesticate banks – (…)

- With this type of terms, one needs to ask a fundamental question that I tried to ask when state-owned PKO BP tried to take over private BZ WBK: what kind of capital are we talking about? Are we talking about Polish private, i.e. non-political, capital – where everything is a private matter and is based on private risk-taking. Or is it – here we go again – a return to Jan Krzysztof Bielecki’s suggestion that it does not matter whether a bank is private or state-owned since the type of ownership has no impact whatsoever?

(…) - In Greece, all banks were Greek and all have enormous needs. Successive Greek governments conducted very harmful economic policies. They indebted the country while banks bought Greek bonds and made huge losses. (…) - I would expect that the government, which has a lot to do, will not deal with something potentially harmful, namely with the politicization of the banking sector.

## A.6.2.26. – redomestication debate 2011/11

Bień, K. (2011, December 6). Udomowić, czyli co? Jak nie stracić nadzoru nad bankami [Domesticating, or what does it mean? How not to lose supervision over banks].

[Minutes of a debate on the “redomestication” of the Polish banking sector]

<https://www.obserwatorfinansowy.pl/tematyka/rynki-finansowe/bankowosc/udomowic-czyli-co-jak-nie-stracic-nadzoru-nad-bankami/>

The slogan of the domestication of banks in Poland has made a dizzying career. What would it consist in? The answers are vague. Nobody is proposing to nationalize the banks, but rather to take control of them in the event that their foreign owners want to withdraw from Poland. Who would buy the banks and on what terms? And does the state have a say?

The discussion was triggered by an article by Stefan Kawalec [economist who co-designed the Balcerowicz plan at the Ministry of Finance in 1990 and was later responsible for the restructuring of the Polish banking sector] published on November 7 in the Financial Observer [Obserwatory Finansowy], entitled: Banks in Poland should be under national control [see Kawalec, 2011 in reference list].

What exactly would the domestication of banks in Poland consist of? The Society of Polish Economists organized a debate on this subject at the end of November. It was attended by Jan Krzysztof Bielecki, chairman of the Economic Council to the Prime Minister of the Republic of Poland, Wojciech Kwaśniak, vice-chairman of the Polish Financial Supervision Authority, Mariusz Grendowicz, former president of BRE Bank and the author of the idea and publication on domestication, Stefan Kawalec, the president of the management board of Capital Strategy [a consultancy]. The discussion was moderated by Ryszard Petru, chairman of the Society of Polish Economists.

Here is a comprehensive transcript of the discussions during this meeting.

(…)

**Jan Krzysztof Bielecki:** (...)

What can be done? The concept of a domestication of banks [proposed by Stefan Kawalec] has now emerged. I do not understand it. When a real deal to do and the BZ WBK purchase transaction by PKO BP was on the table, nobody was interested. On the contrary, there was an earthquake about the direction this was taking, about the fact it would constitute nationalization. And now I watch with admiration as you all want to discuss a transaction of domestication that is not there. I am not so convinced that the banks’ owners – that the analysis mentioned so many times - will be so willing to sell them and allow Poles to domesticate them. In addition - as Stefan Kawalec stated – only the private sector would carry out such a domestication.

The issue is not just to buy the bank, but also to provide it with liquidity. Let us assume that a subsidiary - I don't want to mention names here - had a value of PLN 3 billion. Tomorrow its value will drop to PLN 2, maybe to PLN 1 billion, but it will still have PLN 10 billion financing from its parent bank. Before such a bank is sold, someone would have to know from where this bank is to receive financing the next day in order to achieve a balance between assets and liabilities.

Of course, the issue of a sale may return when – touch wood - the situation in the eurozone worsens and the parent companies will be forced to act quickly. Then it will not really be business anymore, but rather rescue activities. The state, the National Bank of Poland or other institutions will have to enter the fray because only such powerful organizations can deal with rescues.

(…)

**Stefan Kawalec**:

My proposal emphasizes that ownership changes should be made on the basis of private capital, i.e. without the nationalization of banks. I partially agree with what Mr. Mariusz Grendowicz said, namely that foreign capital should be used to a maximum extent. The domestication of a bank does not necessarily mean that the bank is to be controlled by Polish capital. We should strive for an ownership structure in which no shareholder holds more than 10 percent of the shares.

All of the world's largest banks, J.P. Morgan, Citibank, HSBC have this kind of structure. An example may also be Canada where for many years there was a rule that a bank that collects domestic deposits cannot have a shareholder who owns more than a 10 percent stake. Currently, this limit has been raised to 20 percent. Canadian banks handled the current crisis unscathed.

**Jan Krzysztof Bielecki**:

What, then, is domestication? If it were to be a kind of management buyout that is supported by foreign private equity funds, in what way is this domestication? One type of capital comes in, another one goes away, managers may have a little more of a say. And what is supposed to follow from this?

As a result of such a domestication, there will be no change in the ownership structure of banks since no private equity firm will be "sitting" on such a transaction for more than 5 years while looking after an appropriate rate of return on their investment. We have several banks whose performance depends on the Swiss franc portfolio. How can one predict their effectiveness? This domestication concept is like Shakespeare's "Much Ado About Nothing."

(…)

**Adam Szejnfeld**, chairman of the Parliamentary State Treasury Committee: I was reassured that no one here, including the author of this cat that has been put among the pigeons, is calling for the nationalization of Polish banks. But what is this domestication of banks really about? Is it, for example, about extending the scope of activities to include future and uncertain situations that may occur in Europe and Poland? Does the Polish supervision authority still need an extension of its scope of competence because it would be beneficial to it?

(…)

## A.6.2.27. – EBRD 2013/12

EBRD (2013) Strategy for Poland - as approved by the Board of Directors at its meeting on 17 December 2013. London: European Bank for Reconstruction and Development. <https://www.ebrd.com/downloads/country/strategy/poland.pdf>

p. 24:

**3.3. Assisting in the development of a sustainable financial sector**

**Key challenges**

 Disruptions in the European banking industry continue to pose a systemic risk to

Poland, given that about 70 per cent of Polish banking assets are foreign-owned,

with about a third stemming from the Eurozone periphery. The regulator is

concerned about the effects of deleveraging and disruptive ownership changes.

(…)

Bank’s operational response

(…)

Finally, the Bank will selectively consider requests to support ownership changes in

the banking sector resulting from global strategic investors’ repositioning in the

region, which could promote competition as well as elicit synergies and efficiencies,

utilising both equity and debt instruments.

## A.6.2.28. – KIG 2014/08

Naczyk, M. (2014, August 13). Author interview with a representative of the Polish Chamber of Commerce (KIG), Warsaw

**While analyzing KIG’s policy papers and press articles on your organization, I have not seen KIG use the concept of economic patriotism. However, is KIG doing any thinking on this?**

Our activities absolutely go in that direction, but we are consciously not using the term. First of all, we do not like slogans because they are then played politically. We try to fight for the competitiveness of Polish entrepreneurs with specific actions. For example, when Polish banks were being privatized, we thought that foreign banks should not have more than 60 percent market share in Poland and that this would be a healthy proportion. We still believe that there should be healthy proportions, although we are not in favor of a renationalisation of banks either. We believe that the economy must to a large extent be liberal and must be governed by the rules of competition with appropriate state regulations.

Regarding banks, I have not noticed any Pole in the top management of any large European bank, be it in Portugal, Italy or Germany. I share the view it was ridiculous to proclaim that capital has no nationality. It is not just a matter of where the head office is. It is about the career ladder for human resources. If R&D centers and decision-making centers are all located in the countries where large corporations are headquartered, then, naturally, people from that country have better opportunities. Just look at the management structure. Let us take the example of the [Polish-owned] Solaris bus factory and why the Olszewski family achieved such success. Well, because he was blocked on the path of promotion in the German company where he worked. Someone told him: Listen, man: a Pole will never be on the board of a German concern! Well, it upset him so much that he founded a competitor.

**But, when it comes to the 60% you mentioned, do you have any official policy papers on this matter? I did not find any document on this and would like to know when it appeared.**

It was at the time of the privatization of banks, that is sometime in the late 90s. We appreciate the role of foreign capital. However, there cannot be domination, also when it comes to exports. Export has been one of the driving forces of the Polish economy for many years. And it will probably remain so a long time. The value of exports to the head in Poland is still very low in a European context. We are in the bottom third of EU countries with that regard. This gives us a lot of growth potential. And 60 percent of Polish exports are made up by the exports of foreign corporations with their subsidiaries in Poland, are they not? Again, exporting is not just about making a few pennies. Exporting is a civilizing factor. It forces you to learn languages, to get to know the customs of foreigners, to make contacts, to see what the competition is doing, etc. It forces you to get rid of their prejudices andf xenophobia. It forces you to learn. Therefore, for us, the internationalization of Polish companies is a strategic area. We believe that it is a factor that may decide about the further civilizational development of Poland. And I am glad that foreign corporations operating in Poland export so much, but it cannot be that there are only 30,000 Polish small and medium-sized exporting companies out 1,800,000 or so companies that are registered in the country.

## A.6.2.29. – Bielecki (Tusk’s Council) 2014/08

Naczyk, M. (2014, August 13). Author interview with Jan Krzysztof Bielecki, Warsaw

**Over the past two decades, neo-liberal thinking and the Washington Consensus dominated policy discourse, but, now, something is suddenly changing. Where did this change come from? The press has talked about your experience as CEO of Pekao S.A. In your case, does the emphasis on economic patriotism stem from that experience?**

Well, yes, I would say so. I was at the EBRD for ten years. It was a place where there were constantly discussions about policy and about what the best path for transformation in Central and Eastern European countries is. While I was there, I felt that the beginning of Polish transformation required the creation of a certain critical mass. In the nineties, the Polish banking sector operated very poorly. It did not conduct complex financial operations, but de facto only bought treasury bonds and possibly granted some small loans to citizens. There was no mortgage financing, no corporate financing, nothing really. So that banking sector did and did not really exist. In addition, it was not well capitalized. So the entry of the foreign sector changed the banking sector in Poland enormously.

But at the same time, as I remember it from my time [as CEO of Bank Pekao S.A.] – i.e. five years ago, [state-owned] PKO BP was five years behind us in terms of management quality. It is largely by taking our employees that they learned better risk management, better product development, and better IT. So we collected the best in the West, and PKO BP copied it with a delay of several years by poaching employees of foreign-owned banks. In that sense, I believed that the foreign sector - FDI - was very necessary because it changed the foundations and the functioning of Polish banking and Polish economy.

By contrast, what I noticed in Poland at the end of the nineties – while I was still at the EBRD – was, firstly, that what privatization meant in practice was selling a Polish monopoly to a French state monopoly. TPSA [Telekomunikacja Polska SA] was that kind of example. It did not constitute real privatization simply because it was bought by France Télécom, which was then largely state-owned. It did not constitute privatization because France Télécom did everything to ensure that the „management" in Poland maintained the monopolistic position of TPSA on the Polish market. So, while in banking, through the entry of an Italian, German, Dutch, Austrian and French investor, we had competition, here the French monopoly did everything to maintain a monopoly on the Polish market, which meant that the Polish “Telekom” controlled one hundred percent of the infrastructure, and did everything to prevent the next operator from joining this infrastructure. This was a very visible sign and a warning that privatization had very clear limits. Apart from that, Russians got very interested in privatization in the twenty-first century. Yet, what would be the benefit of a pseudo-privatization where, say, Gazprom would buy from us PGNiG [state-owned oil and gas company]? So these issues became more and more visible.

On the other hand, the maturation of the Polish managerial class meant that an increasing number of young managers realized that, when working for foreign employers, they faced limits to their development. One could see this in banking. When the financial crisis came, parent companies began to cut costs. Obviously, cost cuts consisted in cutting on the periphery, not at home in the headquarters. On top of that, they tried to impose uniform rules of conduct on everyone, which was not always good for subsidiaries. For a pan-European bank, risk management constitutes its core, its nervous system, its essence. But, if risk management is centralized – say, at Santander in this famous village near Madrid, we – i.e. Poles working at Santander Poland – do not, of course, deal with the most interesting part of banking because it is all located there near Madrid. We, in Poland, are supposed only to deal with ‘distribution, distribution, distribution’ while they will deal with product management and risk management. And, as a result, we will never bring up a new elite that will be able to manage a bank. Young managers tried to start their own new banks – for example Alior Bank – from scratch because then they could do their own "IT platform", "risk management" and they did not have to ask the headquarters, which was in Frankfurt, or in Madrid or in Vienna. That also became more and more visible.

Finally, the financial crisis of 2008 caused big problems for some foreign institutions. It also brought the biggest line of dispute between us here in Poland because, to cut a long story short, if AIB owns the third largest bank here in Poland and AIB goes bankrupt in Ireland and the regulator says “you have to sell most of your assets”, then AIB Polska is available for purchase. And then the question is: Should a French, Russian, Chinese bank, or perhaps PKO BP buy it? Here in Poland, a great war and discussion on this issue broke out. Balcerowicz and other neo-liberals said: ”no, absolutely not!” – in other words, they said that, if it was bought by PKO BP, it would constitute a nationalization of AIB Poland and that, instead, one should find a new private owner – i.e. a new foreign owner – as soon as possible.

This is where a discussion on so-called “economic patriotism” arose for the first time. People started presenting me as the father of this way of thinking. I made it clear that I do not mean economic patriotism for its own sake. What I have been highlighting is that, if there is an opportunity for PKO BP to make a good deal and if it is good for Poland, why should we not be able to do it? For me, it was not even a matter of economic patriotism; it was about elementary wisdom, business pragmatism. Balcerowicz's influence on public opinion was so strong that – when it came to bidding – PKO proposed too low a price and was overbid by Santander. Santander bought this bank and has already achieved a massive return on this investment. The question arises: Why can Santander earn money, but, if PKO BP does the same, it is bad? Why does Balcerowicz call it nationalization?

## A.6.2.30. – KIG 2016/04

wgospodarce.pl (2016, April 26) Andrzej Arendarski: "Polskie banki wspierają polskich eksporterów, natomiast banki z kapitałem zagranicznym nie zawsze" [Andrzej Arendarski: “Polish banks support Polish exporters whereas foreign-owned banks do not always do that”. <https://wgospodarce.pl/informacje/25075-andrzej-arendarski-polskie-banki-wspieraja-polskich-eksporterow-natomiast-banki-z-kapitalem-zagranicznym-nie-zawsze>

(…)

As Andrzej Arendarski, president of the Polish Chamber of Commerce, said, two things should be distinguished: repolonization - based on the share of Polish capital - and re-nationalization - that is direct participation of the state in the ownership structure.

- While I like the first solution, I like the second one much less. I believe that there is no strict correlation between the shareholding of entities from a given country and development. Some countries, such as Estonia and Slovakia, have a higher share of foreign capital in banks than Poland, and yet they are developing very well. However, there are some areas where the predominance of domestic capital is important. It is mainly about different crisis periods. Banks that represent foreign capital behave more selfishly: the interests of the country that owns the entity count first while those of the other countries where the bank operates come second. This also applies to [Polish firms’] foreign expansion. Polish banks support Polish exporters, while banks with foreign capital do not always do that. This is due to the fact that, by supporting foreign companies, they could come into conflict with enterprises from their home country - noted Arendarski

## A.6.2.31. – Bielecki and Jasser (ex-Tusk’s Council) 2019/09

Naczyk, M. (2019, September 13). Author interview with Jan Krzysztof Bielecki and Adam Jasser, Warsaw

**Mr. Prime Minister, when you were nominated as chairman of the Council of Economic Advisers to Prime Minister Tusk, did you intend to promote the repolonization of the banking sector in Poland from the very beginning? And did you encourage the CEO of PKO BP, Zbigniew Jagiełło, to take over BZ WBK?**

Jan Krzysztof Bielecki: Building or strengthening a company should be based on existing market opportunities, and not on a top-down plan devised by a central planner as it is assumed by the concept of “repolonization”. So, if the market situation is favorable, why not strengthen the best bank? This is the relevant question. Historically, you have PKO BP and, at one point, this bank has the option of buying BZ WBK for the very simple reason that AIB has to sell all its foreign assets due to the crisis. And it is a great opportunity. It is an opportunity to buy a good bank, with very good employees, with its own systems, with good procedures. In addition, BZ WBK is geographically complementary with PKO BP because, whereas PKO BP focuses on traditional Poland with its small towns, BZ WBK is the bank of Western Poland with its bigger cities. So, it is a good match. And it is a business opportunity, not some idea devised by a central planner who wants to build companies. We [i.e. Poles] used to sell everything, and now, when others are in trouble and others are selling, we can buy. Indeed, I thought we should buy BZ WBK and I talked about it with Zbigniew Jagiełło – absolutely.

**Within liberal circles, the strengthening of national champions controlled by the State Treasury was a source of much controversy. In more than one interview you gave between 2010 and 2014, you defended this approach, saying that capital has a nationality ...**

Bielecki: To me, this is even a banal statement! If somebody thought that capital is completely unrelated to its country of origin and its headquarters, they can learn every day that this is not the case. Just look at Chinese companies or at American technology companies. Ask about the digital tax. The difference is that for about ten years such things were discussed behind closed doors and through gentle diplomatic channels whereas now everything is on Twitter.

**At the end of 2009, you resigned from Pekao S.A. and, later, you became an advisor to Donald Tusk. At that time, there were speculations in the press that your resignation was related to a conflict you had with the main shareholder of Pekao S.A., i.e. the UniCredit group, but you never confirmed this in the press. Was there really a conflict? And what was this conflict supposed to be about?**

Bielecki: Ten years have passed, so the grace period has passed.

Jasser: Oh, watch out!

Bielecki: What can be said is that, from 2008, the management team at UniCredit had a very specific conception of how the group shoud evolve and this conception led to an increased centralization of the decision-making process, which, in my opinion, would be in breach of Polish banking law. As it is called in jargon, the discussion was about where "dotted lines" and where "fixed lines" should be. More "fixed lines" would result in a more centralized model where subsidiaries’ risk management units would be subordinate to the risk management unit in the headquarters.

**But did you no get co-opted to the headquarters around that time?**

Bielecki: Yes, but that was before 2008. Before the crisis, UniCredit established a group management committee.

**What happened after the crisis? Did another conception emerge?**

Bielecki: This management committee was still there, but these „fixed lines” would strengthen the headquarters and incapacitate the regional CEO. Yet, according to Polish banking law, risk management cannot be delegated – even today.

**Did the emergence of such plans, which greatly limited managerial autonomy within Polish subsidiaries, become a motivation for managers like you to create Polish national champions in which they would be able to make strategic decisions?**

Jasser: The issue was more about which options were available. The crisis had seen attempts by some international financial institutions to repair their balance sheets with deposits from Polish savers. It was a natural experiment that showed that headquarters look from the point of view of the group and the interest of the group, and are not necessarily ready to comply with the commitments they have made as Polish companies. One option was to do nothing about it and have a situation where some banks would have to repair themselves and would not care about who the buyer would be.

Bielecki: The deputy head of the KNF [Polish Financial Supervision Authority] had a simple saying for the owners of foreign banks in Poland: “If you want more power, then guarantee Polish deposits.” And the discussion ended there. Polish banks had a fairly extensive liability side – PKO BP and Pekao S.A. were especially strong on deposits. And, as Adam Jasser said a moment ago, when the financial crisis broke out, there was an appetite in the headquarters to borrow, say EUR 2 billion, from us in a situation where there was no liquidity in the market and where we were 'overliquid' and could help improve liquidity back home in Italy.

Jasser: So one option was to leave it that way and to tolerate it. The other option was to take advantage of opportunities arising in the market. Anyway, there was also the famous "Vienna Initiative," and the IMF said that the crisis showed that a lack of domestic capital in the financial sector simply constituted a systemic risk. Of course, there were discussions here about how to increase the share of domestic capital in the sector. The idea was to decrease the ratio of 75-80 percent a little, not to shift gear completely. The problem was that, apart from large financial institutions controlled by the Treasury, there were no other vehicles to carry out this type of operation if there were opportunities in the market. Some liberal and business circles’ attack on our ideas was, in our opinion, irrational because it did not take reality into account. Their basic argument was that what we proposed was synonymous with nationalization, but they were unable to offer an alternative because there were no other vehicles.

In this context, it is important to mention that we dealt with this issue quite systematically. We researched development banks and sovereign wealth funds in countries – such as Singapore, Norway, France, etc. – that, before Poland, had also had transitional periods when they sought to prevent a spontaneous acquisition of their assets, especially in the financial sector, by foreign capital. At the Council of Economic Advisers to the Prime Minister, we carried out – for many months – an in-depth analysis of all those institutions and of the ways in which the state can manage assets in a manner that is closest to good market practice. At the end, we found the Norwegian model to be the most appropriate to the Polish situation.

Of course, in an ideal world, everything would be private, but there is no strong private Polish capital. What we suggested was a compromise based on global best practice where the state remains a key shareholder but follows private sector rules. In practice, it boiled down to the creation of a corps of professional managers and directors. We borrowed a lot from the Norwegian model which has a very rigorous system of selecting professionals for supervisory boards. The idea here was to professionalize the supervisory boards of state-owned enterprises and to give them discretionary power over, for example, the recruitment of executives among the best professionals.

**Would that also be associated with increases in the salaries of executives and directors?**

Jasser: Pay was not the main issue on the agenda. The main issue was to recruit high-class specialists. The selection of staff in state-owned enterprises had not always been synonymous with professionalism. At the same time, the Polish managerial class had acquired the know-how to manage at the highest level. The point was that there should be appropriate committees in supervisory boards, which could, for instance, do proper succession planning and so on.

One thing that worked well with the other in that, on one side of the equation, state-owned enterprises were to be able to grow and make acquisitions and, on the other side of it, they had to behave professionally and operate in a market and competitive environment. In everything we proposed, there was never a plan to protect these companies from competition. On the contrary, the point was to make them even more competitive, which is a key difference with the traditional concept of national champions that is being talked about these days, whether in Poland, Germany or France. Such national or European champions somehow have to be protected from competition. With us, this was not on the agenda. We saw a strong presence of strong foreign-owned firms in all these sectors as an element that creates market discipline. Creating a competitive environment was therefore a very important element and, in order to be able to compete effectively, you must have professional management boards.

**Why did these plans to change the corporate governance of state-owned enterprises fail?**

Jasser: Well, they were successful to some extent. This was the only project where the Council of Economic Advisers directly took part in the legislative process. We drafted a bill together with the Minister of the State Treasury.

Bielecki: And the government presented the bill for debate before Parliament.

Jasser: With Mr. Bielecki, we went to parliamentary committees at first reading. It went through the first reading, but there was subsequently no second reading because Parliament’s term was about to end. After the elections of 2011, the new Minister of the State Treasury wanted to introduce the bill, but he had a slightly different concept and things worked out differently.

**I have one more question regarding the factors motivating managers to be more involved in the functioning state-owned enterprises. Mateusz Morawiecki and Zbigniew Jagiełło talk about the existence of a “national glass ceiling” for top managers inside multinational corporations. Would you agree with them?**

Jan Krzysztof Bielecki: I think this formulation is a misunderstanding.

**The point is that top managers from those corporations’ subsidiaries will not be able to make great careers in their headquarters.**

Bielecki: I myself am a blatant example demonstrating that this is not the case [Bielecki was appointed to the Milan-based management board of UniCredit Group in 2007 while heading Pekao S.A.]. There are Poles in top positions at Google or in Switzerland in some corporations... Of course, no one will say it officially, but I have heard this argument more than once – and it is used by, let us say, a Pole who reaches a certain level in a corporation, especially in an Anglo-Saxon one, but, above that level, it turns out that everyone finished Oxbridge, while they finished the Warsaw School of Economics, and they do not have the network that would allow them to advance further. In America, if you look at it more closely, everyone turns out to be a Stanford or Harvard alumnus.

## A.6.2.32. – Mironczuk (ex-PKO) 2020/07

Naczyk, M. (2020, July 15). Author interview with Tomasz Mironczuk, phone conversation

**When you were a member the management board of PKO BP in 2008-2009, an attempt was made to take over AIG Bank Polska. How did this project arise? Was it conducted on the PKO BP management's own initiative? Or did it come from the Ministry of the Treasury?**

It did not come from the Ministry of the Treasury. It was rather a bottom-up initiative. An opportunity simply arose when information appeared in the market that AIG had to get rid of its banking business as part of its restructuring plan in the US. And PKO BP turned out to be a potential takeover candidate for AIG’s Polish operations.

**According to an article by Maciej Samcik on this project, the supervisory board of PKO BP had qualms about whether such a transaction was reasonable.**

When we entered the tender for AIG, we informed the Supervisory Board about every major step. The Board was in favor of joining the tender. From the point of view of PKO BP, the acquisition made a lot of sense because there were significant business synergies. The Board was also fully in the loop about the price conditions with which we were approaching AIG. There was a first round, then a second one, but the purchase price of AIG Bank Polska ended up being a bone of contention, and, in the end, CEO Pruski and I had to part with PKO.

**Was the Supervisory Board mainly composed of directors nominated by the State Treasury or were there also representatives of minority shareholders?**

Nominally there were representatives of other investors, but the majority was definitely in the hands of the Ministry of Treasury and, at that time, Minister Aleksander Grad. The Supervisory Board was our main interlocutor. What was the government's view of the transaction? I do not know. The important thing is that, at that time, PKO BP was the bank with the strongest liquidity in Poland. And liquidity was the Achilles' heel of foreign banks active in the country, especially those connected to groups that experienced problems. This was such an advantage that PKO BP was undoubtedly in the best position to take AIG Bank Polska over. Firstly, it had adequate resources to pay the price and acquire AIG’s liquidity – which was a very important part of the deal; the Americans simply had to stop financing this bank, and PKO BP was probably the only bidder on the Polish market that could reasonably do so. Secondly, AIG had elements in its business model – especially credit risk management technology in relation to consumer finance – that PKO BP needed. So, on the business side, this deal was quite promising. Our paths with the Ministry of Treasury diverged somewhere at the end because we claimed that this bank can be bought very attractively whereas the Ministry of Treasury was not convinced that this was an attractive price.

## A.6.2.33. – PO politician 2020/09

Naczyk, M. (2020, September). Email exchange with a high-profile member of the Civic Platform and Minister in the Tusk government.

[N.B.: my correspondent allowed me to use anonymized excerpts of our email exchange in this appendix]

**(…) I am writing an academic article on the role of the managerial class in changing the approach to economic policy in Poland after 2008. I am particularly interested in the repolonization / domestication of the banking sector, in the circumstances of the establishment of PIR and PFR, and in the role played by various actors (mainly former top managers of commercial banks, the Ministry of Treasury, BGK, think tanks and party apparatuses) in these processes.**

**I would like to kindly ask you for an interview (via the Internet or by phone) on infighting within the "liberal camp" regarding the solutions proposed by the Councidl of Economic Advisers to the Prime Minister in 2010-2014. The conversation could be confidential, although I might like to use some excerpts (but after authorization and, possibly, anonymization of the conversation) as evidence for my article.**

(…) Sorry for the delay, but I do not think I am the best interlocutor on this topic. First of all, I do not remember these threads (…). This was what the Council of Economic Advisers – Jan Krzysztof Bielecki’s child – dealt with. I did not share the views of the Council, especially in the attack on open pension funds and local government finances (indebtedness). And, in general, it seems to me that, in the long run, they did not contribute much to supporting real development trends.

So I am sorry to inform you that, unfortunately, I am not a good source and partner for this conversation. (…)

[In a further email]

(…) I was not and I am not an advocate of repolonization in any way (whether it concerns crowding out EU or US companies). I am in favor of thinking of some sectors as strategic - and I am not bothered by the presence of various source of capital (gas, energy, oil), as long as the issues of geopolitical strategic security are respected and integrated into solutions (avoiding Russia, in short), and China (selectively, cautiously when building a 5G network).

But here I combine the security and development dimensions. Bielecki’s ideas went towards looking for national champions… I prefer European champions... (…)

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