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The concepts of privatization of state-owned enterprises and public housing stock in Poland – similarities and differences¹

Abstract. Privatization of the Polish economy highlighted many problems concerning mostly the concepts of the process. This work attempts to make a review of the main aspects of privatization in Poland on the basis of state-owned enterprises and public housing stock. The authors indicate similarities and differences in privatization of the given resources with regard to the motives and dilemmas, scope of state intervention, techniques, equivalence of sale prices to the market value, and general consequences of this process. The conclusion of this work is that despite some common motives for the privatization of property in Poland, one can list significant differences with respect to the indicated resources.

Keywords: privatization in Poland, state-owned enterprises, public housing stock, motives for and dilemmas of privatization, techniques of privatization, concepts of privatization.

JEL codes: H1, P11, P14, R31.

1. Introduction

The term “privatization” tends to be interpreted in a few different ways. First of all, privatization is a process of transferring property from public to private ownership or transferring the management of a service from the government to the private

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sector. Secondly, privatization also means bringing closer the conditions and modes of functioning of the public sector bodies to those characteristic of the private sector. In Poland this process is also known as commercialization, while in the West it is called deregulation. Finally, in its broadest sense, privatization is understood as a growth of the private sector's participation in the economy, to the point where it reaches relative domination². As a result of this growth, the structure of the economy's property changes, which leads to displacement of the proportions between different forms of property, Tittenbrum (1995, p.8).

The above-mentioned terms refer exclusively to state-owned enterprises. However, it is necessary to highlight the fact that such enterprises are just one of the resources subject to privatization. In this respect the term "privatization" should refer to the change of all resources existing in the economy from public to private ownership. Nonetheless, despite some similarities, the course and consequences of the process of privatization differ, depending on the type of privatized property.

Since the process of privatization has encompassed a wide range of resources in Poland, the country appears to be highly experienced in this regard. Thus, it seems crucial to highlight the privatization of state-owned enterprises and public housing stock from the perspective of the size of property transfer and its economic and social consequences. The analysis of these processes is complex, as they took place at different pace and at various levels of the government.

Briefly, the aim of this work is to identify basic similarities and differences in the privatization of state-owned enterprises and public housing stock in Poland. Additionally, this work attempts to answer the question whether there is a certain model of privatization of public property in Poland, on the basis of the ways of privatization of the two indicated resources. However, in spite of the fact that the two resources are considerably different, it has to be highlighted that their comparison with the use of universal criteria is not the main purpose of this project. The purpose is rather to point out the essential features of their privatization on the basis of given criteria.

2. The concepts of privatization of state-owned enterprises in Poland

The process of privatization of the Polish economy began immediately after the first political signs of reshaping the form of the government appeared, i.e. after the first

² The term "domination" of the private sector has been variously interpreted in different sources. However, relative domination is referred to most frequently when the private sector produces at least 70 percent of Gross Domestic Product.

non-Communist government since WWII was formed. This process highlighted many problems concerning mostly the concepts of privatization of Polish enterprises, that is the conditions on which the transfer of property from public to private ownership should be carried out. However, it is necessary to understand that the dispute over the concepts of privatization of state-owned enterprises in Poland took place against the background of more general dilemmas of privatization in Poland which began to appear in the late 1980s, Zwierzchlewski (1999). Thus, one should first take a closer look at the major dilemmas of the process of property transformation in Poland.

First of all, the degree of state intervention in the process was problematic. Two basic approaches appeared – spontaneous and directive (technocratic) privatization. The former was based on a radical dislike for state intervention in the process of privatization, while the latter completely negated the independence of Polish privatization. Furthermore, technocratic privatization assumed that adequate legislative instruments, mainly the privatization act, would be introduced.

Another dilemma concerned the form of payment for the public property being transferred. On the one hand, proponents of the equivalent concept advocated the transfer of public property through its market sale. Supporters of the non-equivalent concept, on the other hand, promoted free transfer of the property of enterprises into private hands. It was supposed to be done with the help of a money substitute (shares), therefore this concept was also called non-capital.

Finally, a vital problem concerned the extent of staff participation in the process of privatization. The primary political choice with which the government of Tadeusz Mazowiecki as well as every other government after 1989 had been faced, was the scope of labor benefits in the area of property transformation.

In sum, all of the above-mentioned dilemmas exerted a strong influence on the concepts of privatization of state-owned enterprises at the beginning of economic transformation in Poland. From a general point of view concerning the rules of transformation of the public property into the private one, there were three basic concepts of privatization in Poland in the late 1980s and early 1990s. They can be categorized as a) commercial, b) common patronage, c) enfranchisement, Brozi (1993, p.145).

The proponents of the commercial method opted for a transfer of property using market methods exclusively, i.e. through the sale of the entire state-owned enterprise or its part by the Treasury to new private investors. The ideological justification of this concept was an assumption that people would not respect property if given for free. Since the primary transaction on the market is the sale at a price that balances the demand, the transfer of property rights during privatization needs to be equivalent. As the proponents of this method claim, the clarity of the market methods is accompanied by additional benefits in the form of receipts from the sale of shares and interests of privatized enterprises, Błaszczuk (1991, p.14).

However, this method faced a fundamental problem concerning a lack of sufficient capital among domestic investors. As a result, the purchase of a substantial number of state-owned enterprises was impossible. Furthermore, Poland had long ranked among the high-risk countries in terms of investments, which did not prompt potential foreign investors to invest money in this country. The above factors could greatly threaten the entire process of privatization, and the acceptance of the equivalent principle could dangerously slow the process. In these circumstances, the permission for free transfer of public property into private hands could prove to be an effective way of changing the property structure and reducing the public sector's participation, Oblicki (1990). Thus, the concept of common patronage, i.e. the so-called civic privatization, appeared in Poland. It was proposed by two liberal economists from Gdansk, Janusz Lewandowski and Jan Szomburg.

This program was initially called The Common Privatization Program, and received final support on April 30, 1993, when the Sejm passed the National Investment Fund (NIF) bill³. The Treasury formed 15 NIF joint-stock companies, the management of which was granted to the home-foreign consortium of banks and advisory companies. All NIFs were equipped with the shares of 512 "floor" companies in such a way that a single Fund received the dominant shareholding (33 percent) in 34 or 35 companies, and minor shareholding (1.8 percent) in a few hundred other floor companies. The Treasury divided the remaining shares among themselves (25 percent) and among the companies' employees (15 percent). The program's assumption was relatively simple. Every Polish citizen who had their eighteenth birthday by December 31, 1994, could obtain a program's share certificate. The sale of certificates began on November 22, 1995, and its price amounted to 20 zlotys which was considered a handling charge, Kostrz-Kostecka (1995, pp. 49-51).

It is difficult to answer whether the program of civic privatization was successful or not. The critics highlight the fact that it was only a pilot program, and that it had been flawed from the very conception, since it was supervised by the State. Consequently, all aspects concerning NIFs were politicized. Furthermore, from the perspective of an individual member of this program, benefits were insignificant, Winiecki (1995). One may find it hard to disagree with this fact. It was suggested from the start that there would be no considerable increase in the shares value of particular Funds and large dividends during the first period of the NIF existence. In most cases state-owned enterprises require additional capital to modernize and restructure their operations. Considering the fact that mass privatization would not augment the capital of privatized enterprises, the majority of profits would have to be allotted to investments, thus minimizing the dividends for shareholders, Tomidajewicz (1993).

Another concept of privatization of public property assumed the acquisition of property (or its substantial part) by the staff of state-owned enterprises (employees).

³ Act on the National Investment Funds and their privatization of April 30, 1993, Journal of Laws of 1993 No.44, item 202.

Created mostly by local authorities, this view of privatization was fostered during various public debates and in the mass media. The proponents of such privatization strongly demanded preferential treatment for employees in the process of property transformation. Their reasons concerned firstly historical righteousness and secondly wide public support. As for the former, the merits of the Polish “Solidarity” movement, i.e. labor circles, in the overthrow of socialism, were taken into consideration, whereas the latter was treated as an essential prerequisite not only for privatization itself but also for general changes in the Polish political system, Bałtowski (1998, p. 152). Finally, to bolster this type of privatization such organizations as the Association of the Employee Government Members or the Union of Labor Property appeared.

The concept of enfranchisement was presented by Rafal Krawczyk even before the process began, Krawczyk (1990). As the first step of the property transformation, he proposed to hand over the controlling interests of companies to the staff. These interests would take the form of equal but individual portions, and would be given either free of charge or for a small fee. To accelerate the transition associated with the corporatization of enterprises, the author of this concept demanded that the staff government be transformed into general assembly, and the staff board into the supervisory board of a newly-formed company.

At the turn of March and April of 1990, two bills on privatization, one governmental and the other parliamentary, were submitted to the Sejm almost simultaneously. The two bills differed considerably in terms of the concept of privatization they proposed and the solutions they offered. The main differences regarded:

- the scope of the acts;
- the institutional solutions in favor of privatization, including political control over its course.
- the role of the staff shareholders, and other legal and financial solutions to facilitate the distribution of property under privatization, Błaszczuk (1993, p.42).

The final draft of the privatization act concerning state-owned enterprises was not passed by the Sejm until July, 1990⁴. Bearing in mind the rules of this law, it can be assumed that there have existed two basic methods in the system of property transformations of state-owned enterprises in Poland. One is the method of capital privatization, and the other is the method of liquidation privatization in the legal sense. In most general terms, the essence of the capital privatization is a two-stage process of property transformation. First, a state-owned enterprise becomes commercialized, share capital is created from its funds and divided into a given number of shares which are taken over by the Treasury, Dobroczyńska, Juchniewicz, Snopek (1998, p. 16). Secondly, the Treasury render the shares available to external investors in a threefold way:

- by means of a public offering, usually concerning big enterprises in good financial standing;

⁴ The Law dated July 13, 1990 on Privatization of State-Owned Enterprises, Journal of Laws of 1990 No. 51, item 298.

- by means of a public bid, concerning mainly minor enterprises;
- by means of a public invitation to negotiations, which is applicable to major enterprises with respect to the country's economy.

In turn, the essence of liquidation privatization is administering the enterprise by:

- the sale of the enterprise;
- bringing the enterprise into a company;
- employee leasing.

It has to be clearly stressed that further legislative solutions in the area of privatization developed some other means of property transformations of state-owned enterprises. The Act of July 13, 1991 concerning state-owned enterprises, formulated premises on the basis of which an enterprise could be put into liquidation due to a difficult financial situation. The National Investment Fund Act of April 30, 1993, in turn, formed the basis for the so-called mass privatization. Figure 1 shows the main methods of privatization against the background of operations linked directly or indirectly to the transformation of the public sector.

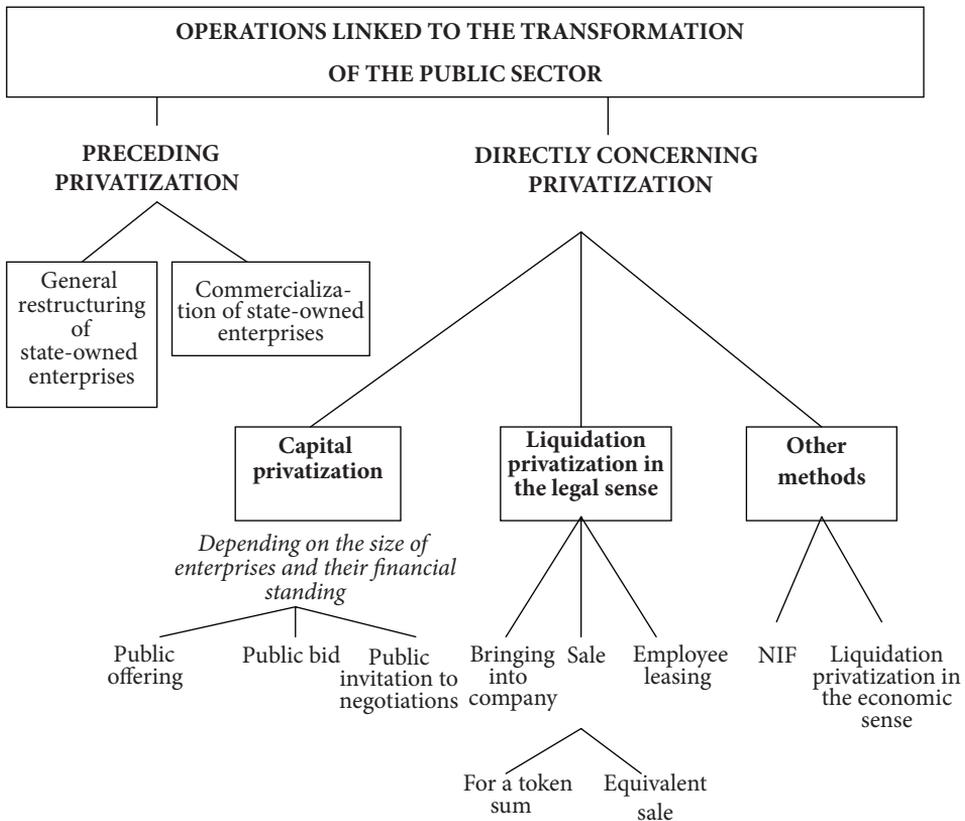


Figure 1. The main methods of the privatization process

Source: self-prepared

The three concepts of privatization of state-owned enterprises mentioned earlier (commercial, common patronage, enfranchisement), which developed at the beginning of the political system's change in Poland, can be regarded as some basis for subsequent practical privatization operations. Figure 1 indicates that particular concepts of privatization can easily be assigned to different methods of privatization.

The commercial concept matches the entire capital and liquidation methods in terms of the form of transfer of the entire or partial ownership rights to private hands. This form consists in granting the ownership rights of a state-owned enterprise to private investors in return for the capital they have invested. In these circumstances, even the sale of an enterprise for a token sum fits the commercial concept, because when investors buy (or rather take over) enterprises that are indebted and meant for liquidation, they have to subsidize it substantially to facilitate its further functioning. The common patronage concept matches mass privatization which took the form of National Investment Funds in Poland (mentioned above). This peculiar

Table 1. The privatization of state-owned enterprises in Poland in years 1990–VI 2006

| Years | Total (3+5+6) | Commer- cialization | Capital privatization | Liquidation privatization in the legal sense | Liquidation privatization in the economic sense |
|--------------------------------|------------------|------------------------|--------------------------|--|--|
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1990 | 91 | 41 | 6 | 32 | 18 |
| 1991 | 1126 | 226 | 22 | 383 | 517 |
| 1992 | 821 | 222 | 23 | 281 | 318 |
| 1993 | 528 | 106 | 47 | 196 | 226 |
| 1994 | 512 | 221 | 36 | 131 | 160 |
| 1995 | 541 | 246 | 86 | 151 | 144 |
| 1996 | 425 | 121 | 567 | 197 | 97 |
| 1997 | 314 | 61 | 58 | 193 | 60 |
| 1998 | 297 | 118 | 41 | 135 | 44 |
| 1999 | 303 | 97 | 26 | 149 | 57 |
| 2000 | 258 | 37 | 26 | 164 | 57 |
| 2001 | 134 | 9 | 32 | 72 | 53 |
| 2002 | 100 | 12 | 22 | 44 | 44 |
| 2003 | 83 | 12 | 6 | 36 | 35 |
| 2004 | 98 | 23 | 10 | 52 | 23 |
| 2005 | 83 | 16 | 11 | 37 | 31 |
| 2006 I-VI | 14 | 6 | 3 | 5 | 3 |
| Total (as of 30.06.2006) | 5729 | 1584 | 1023 | 2258 | 1887 |

Source: Self-prepared on the basis of the Central Statistical Office data.

kind of privatization constituted a means of free transfer of property into private hands. The free transfer was possible due to the fact that the handling charges taken during the registration of the participants of mass privatization were not the price for the securities enabling the purchase of privatized enterprises.

Finally, the enfranchisement concept is related to some statutory records which constituted a range of privileges to the employees of privatized enterprises. The employees were granted the right to purchase twenty percent of the enterprise's shares at half-price. They were also given a possibility to participate in deciding about the method of privatization of their enterprise. Finally, they could also execute staff shareholders within the confines of a leasing method. It has to be highlighted that the range of employee privileges was gradually expanded along with the creation of more privatization bills and laws.

Table 1 shows data concerning the number of privatized state-owned enterprises, divided according to the method of their privatization. By the end of the first half of 2006, there were 1584 commercialized state-owned enterprises. Shares were made available in 1023 companies. According to the statistics of the process of privatization in Poland (CSO data), capital privatization also included bringing companies to NIFs (the NIF Program included 512 enterprises which were initially commercialized). Bringing companies to NIFs is treated as a separate method in this work. Liquidation privatization in the legal sense comprised 2258 state-owned enterprises, while liquidation privatization in the economic sense – 1887 enterprises.

3. The concepts of privatization of public housing stock in Poland

It seems necessary to discuss the conditions of the housing market and their changes in different periods of transformation of the political system in Poland before the key features of privatization of the housing stock can be specified. Next, this chapter describes the process of privatization along with the effects of property transformations. The last part is an attempt to specify the primary motives and dilemmas relating to privatization of the housing stock in Poland.

3.1. The conditions of property transformations of the housing stock

The privatization of the housing stock in Poland took place in a peculiar economic, political, and social atmosphere. To understand this process, it seems necessary to present a synthetic viewpoint on the conditions of the housing stock before and during the period of political transformation.

It has to be stressed that the functioning of the housing management in Poland in the period of centralized economy was based on the following postulates: the ownership and distribution of the housing stock according to centrally established priorities, centrally planned production, allocation of the housing stock according to housing demand, with no financial barriers for households, and the exclusion of market mechanism and private ownership, Clapham (1995, p. 681). It is often emphasized that the given postulates were not entirely implemented into the centralized economy. This was a result of the existing restrictions. Firstly, decision-makers prioritized industrial and military investments. The amount of housing investments was subjected to the dynamics of the country's economic growth. Therefore, during the period of slow economic growth, availability of financial means for housing was limited, Frąckowiak (1994, p. 23). Secondly, the existing shortage of apartments hindered the state's effective control over private investments and transactions relating to the housing stock. Since the government was not able to provide sufficient housing resources, it could not prevent citizens from purchasing or building apartments to satisfy their housing needs. As a result, private ownership and market mechanism were not entirely excluded from housing management. The private sector took the form of cooperative construction and individual construction.

The political transformation in Poland emphasized key problems in the housing sector. Among the main constraints of housing policies, being partly a result of centralized economy, there are:

- serious housing shortage;
- low quality of housing resources;
- limited public financial funds.

The availability of apartments in Poland both in centralized economy and market economy differed from the average values in the countries of the present European Union. Housing saturation, i.e., the number of apartments falling to 1000 people actually residing, amounted to 274, 289, and 330 in 1980, 1990, and 2003 respectively. Among the EU countries, Poland ranked next to the last place in all given periods. Statistical housing shortage, being the basic gauge of housing needs, and displaying the difference between the number of households and the number of inhabited apartments, reached the level of over 1.5 million apartments in 2003. This constituted approximately thirteen percent of the housing stock. In comparison to 1988, the shortage increased by over 300 thousand apartments, which resulted partly from a considerable growth in the number of one-person households.

In the context of quality of the housing stock, Poland lagged behind considerably with respect to redecorating. That situation occurred as a result of the maximization of the number of apartments rendered for use during the times of centralized economy, regardless of the standard of their quality. Additionally, of vital importance was also the way of fixing the amount of rent. Not only was it below the market value but also below the cost value. Leaving such regulations in the market economy for

a long period of time due to social pressure, resulted in a considerable depreciation of the resources. As a consequence, always inhabited apartments of substandard⁵ conditions constituted about 1.8 million apartments, i.e. 16 percent of the housing stock in 2003. It needs to be stressed that $\frac{3}{4}$ of these resources still belongs to natural persons, and the remaining part is public housing. Overhaul rate index has not exceeded 0,6 percent for years.

The realization of the public housing programs in 1995–2005 was limited by the state through controlling past liabilities in the form of purchasing interests from home loans, and refunding guarantee bonuses. These liabilities constituted approximately 60 percent of the direct budgeted expenses on housing. Accordingly, the state focused on creating legal infrastructure for market forms of financing housing (particularly within the scope of commercial banking and mortgage banking).

In the context of the market subsystem of financing housing, constituting one of the conditions for the functioning of the housing market, it is important to notice the low demand for home loans among households in the first period of transformations, 1989–1995. There are a few main reasons for this: a) macroeconomic instability, including high inflation, b) undirected housing policy, c) high cost of home loans, with subsidized loans from PKO BP, d) uncertainty of the banking sector as to the future of the mortgage market, e) complexity of the DIM home loan, f) unreliable mediating institutions, including real estate agencies, developers, real-estate register, Black, Jaszczolt, Lee (2000, p. 10). The changes of unfavorable conditions in the housing sector in 1996–2000, with a favorable macroeconomic environment, i.e. decreasing inflation, growing expectations concerning economic and political stability resulted in a gradual increase in the demand for home loans. The turning point in the development of the market financing subsystem fell on the year 2001. The indebtedness of households due to incurred home loans grew from 14 billion at the end of 2001 to 50 billion in 2005, which constituted about $\frac{1}{3}$ of all their bank liabilities⁶. The causes of this increase lie in the growth of income in households, disclosure of the demand for apartments along with decreasing interest rates and better availability of loans, appearance of demand from the population boom of the 1970s.

3.2. The process of privatization of the housing stock

In the background of the above-described conditions of the housing sector, there were some major changes taking place in the property structure of housing resources. It is indicated that the process of privatization and decentralization was a characteristic

⁵ Substandard apartments comprise: a) apartments in building with poor conditions, b) overcrowded apartments, i.e. 3 and more people in one room, c) apartments with low standard of sanitary system. Source: Long-term strategy for the development of the housing sector in years 2005–2025, draft, Waraw 2005., p. 7.

⁶ Data of the National Bank of Poland.

feature of every country that faced economic transformation. That is why it seems justified to describe the process at different stages of political transformation.

The process of property transformation in the housing sector in Poland began with the reformation of local governments in 1990⁷. Once local authorities were established and given the responsibility to fulfill the housing needs of their communities, the government were able to hand over housing resources of the Treasury to those authorities⁸. Municipalization of property may be considered the first, essential stage of the rationalization of housing economy in the public stock. This process was accompanied by a relatively small transfer of the public stock to tenants legally dwelling in the apartments, which was based on legal acts gradually coming into effect⁹.

Regulating the laws concerning the ownership of apartments through the implementation of separate ownership rights over individual apartments and the establishment of homeowners associations, gave rise to the second stage of transformation of the housing economy. This stage took the form of dynamic privatization of the housing stock, particularly the municipal stock¹⁰. On the one hand, this stock was being privatized, while on the other, state-owned enterprises supplied it with living quarters handed over on the basis of the 1994 act concerning the rules of handing over company's apartments to communes and cooperative apartment corporations¹¹. Nonetheless, the process of privatization of the municipal stock should be considered a dominant phenomenon. Assuming a low degree of housing investments and demolitions in the municipal and company stock in 1993–2004, approximately fifty percent of the property had been privatized (Tab. 2).

Table 2. The privatization of apartments owned by communes and companies (at the end of a year in millions)

| Housing stock | 1992 | 2004 | Privatized stock in 1993–04 |
|--------------------|------|------|-----------------------------|
| Public housing | 2,0 | 1,3 | 0,7 |
| Company apartments | 1,5 | 0,5 | 1,0 |

Source: Self-prepared on the basis of the CSO data.

⁷ The Act of May 10, 1990 concerning local governments and local government workers, Journal of Laws of 1990 No.32, item 191.

⁸ “The information on the plans and actions in the housing policy”, Appendix I, Housing in the process of transformation, the Council of Ministers, Warsaw 2000, p. 7.

⁹ The Act of September 29, 1990 concerning the change of the estate management and property dispossession act, Journal of Laws of 1990 No. 79, item 464; the Act of October 19, 1991 concerning the management of the Treasury's agricultural property, Journal of Laws of 1991 No. 107, item 464; the Act of May 20, 1976 concerning the accommodation of the armed forces, Journal of Laws of 1992 No. 5, item 19 and Journal of Laws of 1994 No. 10, item 36.

¹⁰ The Act of June 24, 1994 concerning apartment ownership, Journal of Laws of 1994 No. 86, item 388.

¹¹ The act of October 12, 1994 concerning the transfer of company's apartments by state-owned enterprises.

Privatization of the public housing stock in Poland is also associated with transformation of the rights to own apartments by a single entity. When the cooperative apartment corporation was in financial difficulties, the cooperative property was transformed into the private property in 1994. This led to intensive changes of property in the cooperative stock¹². The number of resident apartments decreased by 47 percent between 1988 and 2002, with a significant increase in the number of cooperative owner-occupied apartments. Additionally, by 2002, approximately 60 thousand apartments had been set apart from the cooperative stock, as their residents acquired a right to the separate ownership of these apartments.

Table 3. The cooperative owner-occupied apartments and resident apartments in selected years (thou)

| Years | 1988 | 1994 | 2002 |
|---|--------------|--------------|--------------|
| Cooperative apartments in general, including: | 2,8 | 3,1 | 3,4 |
| – Cooperative resident apartments | 2,3 (83%) | 1,5 (49%) | 1,1 (32%) |
| – Cooperative owner-occupied apartments | 0,5 (17%) | 1,6 (51%) | 2,3 (68%) |

Source: Self-prepared on the basis of the CSO data.

As a result of the process of property transformation in Poland, in 2002, about 55 percent of the housing stock was in the hands of natural persons, which compared to 1998 translates into a 10 percent growth. It is stressed that the increase in the private stock in that period was incommensurately higher than a general growth in apartments. Another major entity on the housing market was cooperative apartment corporations, being in possession of $\frac{1}{3}$ of the housing stock. The public housing stock, consisting of apartments that belong to communes, the Treasury, and companies, has been on a decrease. It constituted just 15 percent of the stock in 2002¹³.

3.3. Motives and dilemmas of privatization of the housing stock

On the basis of the above facts concerning changes of the public housing stock in Poland, it seems necessary to present the underlying motives for and dilemmas

¹² The transformation of cooperative resident apartments into cooperative owner-occupied apartments was facilitated by the Act of November 30, 1995 concerning the government's help in the repayment of some home loans, reimbursement of paid out guarantee bonuses, and change of some legal acts, Journal of Laws of 1995 No.133, item 654.

¹³ Statistical data prepared on the basis of the National Censuses carried out in 1988 and 2002, and statistical yearbook published by the Central Statistics Office.

of privatization. Thus, one should pay particular attention to the fact that among the primary motives for privatization was the government's attempt to reduce expenditure on the public housing stock. Privatization was also accompanied by the assumption that new owners would refurbish and modernize the housing stock. Consequently, the government would dispose of low-value assets as well as assets requiring high expenditure. In addition, politicians aimed at strengthening the market economy by enticing an ordinary citizen who bore high costs of the economic transformation.

The dilemmas concerning the process of privatization of the public housing stock in Poland are another aspect of privatization presented in this work. From the perspective of the degree of state intervention in the process, one may speak of two basic approaches that appeared – the directive and grass roots privatization. While the former was based on decisions made at the government level, the latter assumed that local authorities would decide about privatization. The grass roots privatization prevailed in Poland, with communes playing a vital role in the privatization decision-making process. Thus, it was left to the local authorities to decide about the amount of the housing stock for privatization and the size of discounts granted on the basis of legislative instruments, Lis (2005).

Another dilemma concerned the equivalence between the market price of sold apartments and their actual market value. Among the four basic forms of privatization, which include a) privatization through patronage, b) privatization with discounts, c) coupon privatization, and d) mixed privatization, it was the privatization with large discounts which dominated in Poland. The sale of company living quarters and apartments in the cooperative stock to their tenants differed from market transactions. In other words, the sale price was not adequate to the actual market value of apartments. The discount granted to tenants during the purchase of their apartments reached as high as 99 percent of the market value of these apartments in the case of cooperative housing stock, while with company living quarters, it amounted to 95 percent.

The solutions to the above dilemmas are reflected by the consequences of the process of privatization. In spite of the increase in the owner-occupant housing stock, the problem of modernization of the privatized apartments was still unresolved. It seems that the owners of these apartments were unaware of the extent of financial costs required to refurbish their apartments, and did not realize that they were in fact made responsible for the maintenance of the property.

In the case of the company stock, it is said that the privatization of company apartments was irreversible and positive. As for the public housing stock, the privatization of apartments in a number of towns and cities conducted at all cost, is a highly unfavorable phenomenon. In a short period of time, it causes a decline in the quality of the stock (the highest-quality apartments are in the greatest demand). In the long run, the privatization of the public housing stock and the transformation of coop-

erative resident apartments into cooperative owner-occupied apartments, will lead to difficulties in implementation of the social housing policy. The marginalization of the social housing stock should be considered a negative phenomenon.

4. Conclusion

The main characteristics of the privatization of state-owned enterprises and public housing stock are compared in Table 4 on the basis of the above description of the two processes. Additionally, they are categorized according to a number of criteria.

It seems justified to claim that the process of privatization in Poland followed different routes depending on the resources subject to transformation. Despite some common motives for the privatization of property in Poland, one can list significant differences with respect to given resources, particularly in terms of the scope of the state intervention and the choice of the concept of privatization. As far as the first criterion is concerned, it has to be highlighted that the process of directive privatization, strictly supervised by the government, became dominant in state-owned

Table 4. Comparison of the privatization of state-owned enterprises and public housing stock in Poland

| Criteria | State-owned enterprises | Housing stock |
|--|---|---|
| Motives for privatization | <ul style="list-style-type: none"> – economic – pragmatic (better efficiency of welfare benefit) – political | <ul style="list-style-type: none"> – economic – political |
| The scope of state intervention | directive approach | – grass roots approach |
| Techniques of privatization | <ul style="list-style-type: none"> – participation of the staff of state-owned enterprises – capital technique – direct sale | – participation of the tenants |
| The equivalence of sale prices to the market value | – mixed privatization: equivalent and non-equivalent (patronage or deliberate lowering the market value) | – privatization with large discounts (the market value minus substantial discounts) |
| Consequences of privatization | – the change of the market property structure | <ul style="list-style-type: none"> – the quality of the privatized housing stock does not improve considerably – restrictions for apartment and rent policy in communes |

Source: Self-prepared.

enterprises. Although the staff had the right to decide about the method of privatization, the deciding voice belonged to the minister responsible for privatization. The privatization of public housing stock, on the other hand, depended greatly on the local authorities. As regards the choice of the concept of privatization, in state-owned enterprises the equivalent principle prevailed from the beginning, with a partial allowance for the non-capital privatization. However, in public housing stock the non-equivalence of the sale price to the actual market value of apartments dominated. It was a result of high discounts granted to the tenants of these apartments or to the employees of state-owned companies.

In the light of the above facts, one may claim that there was no unitary model of privatization in Poland. In spite of some similarities, there were fundamental differences in the way of privatization of particular resources in Poland.

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