

# **MSZ** Supplement

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## **Jan Rokita Drops Politics As His Wife Becomes President's Advisor**

*Rzeczpospolita pp. A1, A3, September 15-16 2007*

Jan Rokita, one of the leaders of the biggest opposition party Civic Platform (PO), was under the spotlight all day on Friday. In a morning interview for the TOK FM radio station, Rokita accused his fellow party members in the Cracow constituency of forming cartels to dominate the election list. This utterance caused a backlash from Andrzej Czerwiński and Grzegorz Kosch; the latter announced he would sue Rokita for personal insult. The compromise over the election list was reached later that day, placing Rokita's close associate Jarosław Gowin as a candidate to the Senate, and replacing Kosch with Liliana Sonik as a candidate MP. Rokita's answer to the proposed compromise was expected in the evening. Meanwhile, President Lech Kaczyński announced he has nominated Rokita's wife Nelly as his advisor for women's affairs, after which Jan Rokita declared he would abandon public life and decline to stand in the coming elections.

## **Leszek Miller Leaves SLD After Dropping Out of Election List**

*Dziennik p. 1, September 1 2007*

Wojciech Olejniczak, the leader of the Democratic Left Alliance (SLD) denied former PM and his party colleague Leszek Miller a position on the Left and Democrats' (LiD) election list on Saturday, which prompted the latter to leave the party. Olejniczak has explained he wanted to "freshen up" the party but Miller has treated his move as a personal affront inspired by former President Aleksander Kwaśniewski. He pointed to the fact that the strategy was not applied to his colleagues of similar age - Jerzy Szmajdziński, Krzysztof Janik and Janusz Zemke. Only minutes after Miller had announced his decision at the party conference, SLD's former secretary Marek Dyduch, who also had not made it onto the election list, followed in his footsteps.

## **Szczygło: Polish Soldiers Should Stay in Afghanistan Longer**

*Gazeta Wyborcza online, September 14 2007*

Defence Minister Aleksander Szczygło proposes prolonging the Polish contingent's presence in Afghanistan for one year and keeping its manpower unchanged (1,200 people). "We cannot draw a final date for terminating the presence of our forces in

Afghanistan. It should depend on results," said the minister. Szczygło set off for Afghanistan to assess the situation, during which time he visited soldiers in Kandahar, Gardez, Sharana, Ghazni and Kabul. The head of the National Security Bureau, General Roman Polko, accompanying the minister, declared that he would also recommend prolonging the operation. According to General Polko, it is essential to find a new use for the soldiers serving in the elite GROM unit, which currently "carries out operations which are far beneath it."

## **Sikorski Joins PO, Marcinkiewicz Next?**

*Gazeta Wyborcza online, tvn24.pl and onet.pl, September 12 2007*

The Civic Platform (PO) has begun the hunt for present and former members of its biggest rival on the domestic political scene, Law and Justice (PiS). After being joined by top PiS MP Antoni Mężdyło, on 12 September it managed to win over Radosław Sikorski, former defence minister in the government of Jarosław Kaczyński. Another politician whom the PO would want to have on its side is sidetracked PiS member Paweł Zalewski. Still, according to announcements the party of Donald Tusk is to make the most spectacular transfer on Saturday. The Polish edition of Newsweek suggests that on this day it will be joined by former PM Kazimierz Marcinkiewicz, who remains the most popular politician in the party of the Kaczyński brothers. This news, however, was swiftly denied by the politician, who stresses that he is not interested in returning to politics. As for the PiS, rumour has it that it is after PO top figure Jan Rokita and the party's co-founder Maciej Płażyński.

## **Prosecutor Undermines Ziobro's Credibility**

*Dziennik p. 9, September 14 2007*

Prosecutor Tomasz Szalek presented two versions of events which took place before the Internal Security Agency's (ABW) inspection of former minister Barbara Blida's house. Szalek declared that before the operation, Justice Minister Zbigniew Ziobro asked him to collect materials on the "coal mafia" affair. A few hours later, during a press conference, he explained that the data was to be collected "just in case," and denied knowledge of the planned ABW operation. The Sejm Special Services Committee suspected that the minister had been planning to hold a press conference after Blida's apprehension. On the basis of Szalek's testimony, they accused the minister of lying - the prosecutor, however, corrected his revelations in the afternoon.

## Pro-Family Tax Relief Wrecks 2008 Budget Bill

*Rzeczpospolita p. B2, September 15-16 2007*

On Friday, the Senate accepted the new pro-family tax relief, amounting to ZŁ1,145 per each child, without making any amendments. Its decision has disappointed the Finance Ministry, whose representatives argued that the relief should be 50 percent lower. According to the ministry's estimates, as a consequence of the Sejm and Senate's generosity in 2008 the income to the state budget will be reduced by ZŁ7.1bn, with the local authorities losing ZŁ3bn. This means that the Finance Ministry will have to change the recently drafted 2008 budget bill. In order to prevent this scenario, on Thursday Deputy Finance Minister Jacek Dominik tried to explain to the Senators that the underprivileged numerous families, whom the tax relief was supposed to help the most, do not earn enough to fully benefit from it. The higher chamber, however, did not find his arguments convincing. Experts believe that this had to do with the recent launch of the election campaign.

## Polish Army Late in Spending Multi-Billion Budget

*Rzeczpospolita p. B1, September 13 2007*

The Polish army will not be able to spend about ZŁ1bn from the budget for this year, as most of the badly-organised tenders for weaponry and military equipment have been cancelled. The Defence Ministry received ZŁ23.3bn this year, including ZŁ3.1bn for transport helicopters and aircraft for VIPs. The law stipulates that the amount of military spending cannot be lower than 1.95 percent of GDP. Still, the Military Property Agency (AMW), which was scheduled to buy this year food, oil, uniforms and computer hardware for ZŁ1.2bn, has managed to sign contracts for merely half of this amount through August. "As for computers or specialist equipment, we will have a problem, as the army is not able to specify its requirements, which delays and complicates the tenders," said Krzysztof Grodzicki, head of the AMW. The Defence Ministry is optimistic, claiming that while not all of the assigned money will be spent, the amount left will not be large.

## Central Bank May Put Rate Hikes on Hold as Inflation Slows

*Gazeta Wyborcza online, September 13 2007, Puls Biznesu p. 6, September 14 2007*

The annual inflation rate dropped in August more than expected, lowering expectations that interest rates may be raised as early as next month. Consumer prices fell 0.4 percent from July and rose 1.5 percent from a year ago, while analysts expected an annual rate of 1.9 percent. The monthly decline resulted from lower food costs. "This data proves inflation is under control and that inflationary pressure is not as great as we thought," said

Deputy Finance Minister Katarzyna Zajdel-Kurowska. The Finance Ministry estimates the annual rate will remain below 2 percent in September and slightly rise through December, although it will not exceed the central bank's 2.5-percent target, which may prevent monetary policy makers from raising borrowing costs for a fourth time this year. Bank BPH Chief Economist Ryszard Petru said the probability of a rate hike in October has diminished substantially. Still, MPC member Marian Noga said one more rate hike should be expected this year.

## Poland Loses Another Battle for Rospuda Ring Road

*tvn24.pl, September 13 2007*

Thursday was not a good day for Polish officials defending, before the European Parliament (EP), the ring road project to be carried out in the wilderness haven of Rospuda Valley. Following a heated discussion between Polish Environment Minister Jan Szyszko and members of the EP Petition Committee, the institution accepted a report criticising the behaviour of the Polish authorities regarding the matter. Its author, Thijs Berman, was not impressed by Szyszko's arguments, according to which the environment of the Rospuda Valley was artificially created after World War II. "The fact that the valley's landscape has to some extent been modified by man does not contradict that it is an absolutely unique area which should remain under protection," he said. Berman was referring to the comment made earlier by Polish environmentalist Małgorzata Znaniecka, who claims that the work conducted so far in the valley has infringed upon the area protected within the Natura 2000 programme.

## Poland Lags Behind With Spending EU Funds and Risks Losing EUR340m

*Gazeta Wyborcza online, September 12 2007*

Poland occupies next to last position among new EU countries in terms of using means from the EU Cohesion Fund, says a report prepared by the Sejm Budget Commission. EU Regional Commissioner Danuta Huebner says the results are similar to those obtained by the European Commission and she is urging Poland to make use of the funds faster. "I would like to see Poland develop quickly - I know there are still three years left, but the country badly needs some investments," she says. The means from the Cohesion Fund are used mostly for infrastructure and environmental protection. Local projects are subsidised using structural funds and here Poland's position is much better - according to the report, it occupies fourth place. Huebner warns that the hot pre-election period should not adversely affect the further use of funds, as it would be easy to lose them. Meanwhile, the report presented in the European Parliament on Wednesday mentions the possibility of depriving Poland of EUR340m in subsidies. However, Huebner explains that the authors of the report were using data from before June 2007 and the situation has changed since then.

## PO Wants to Stop State-Asset Mergers, Speed Up Privatisation

*Puls Biznesu p. 6, September 17 2007*

The Civic Platform (PO) plans to stop merging state-owned companies and accelerate privatization if it wins the parliamentary election, said the party's deputy Adam Szejnfeld. PO is against the merger of Poland's top refiners PKN Orlen and Grupa Lotos, as it wants them "to compete on the market, while allying their efforts only when realising foreign investments," according to the lawmaker. The party also opposes the plan which assumes KGHM Polska Miedź would take over power station Zespół Elektrowni Pątnów-Adamów-Konin (PAK). "I get the impression this plan was designed only to allow the state to regaining its holdings," Szejnfeld added. PO would put KGHM, coal mines and other energy companies on sale after taking over the power. It wants to stop selecting the industries, which would be excluded from privatisation, with only the transmitting infrastructure to be kept in state hands.

## Poland May Create No. 3 Drug Company and Sell It on WSE

*Wall Street Journal Polska p. 1, September 17 2007*

The Treasury Ministry is to pick the company to conduct due diligence at state-owned Polfa Tarchomin, Polfa Warszawa and Polfa Pabianice on September 17, which may end the process of merging them into the Polski Holding Farmaceutyczny (PHF) concern. PHF would be Poland's third-largest drug maker with annual sales of as much as ZŁ800m. The due diligence will be completed by the end of October and if it ends with a positive result the Treasury will decide whether to set up a concern of three Polfas, or exclude one of the companies from the process or leave them separate. If the first scenario is implemented, PHF will be offered to the public within next two years as the first drug manufacturer on the Warsaw Stock Exchange. The decision-taking process has lasted for four years, disturbing the companies from making any forward-looking plans. Robert Czaplak, CEO of PHF, said the merger would allow them to win strong position in negotiations with wholesalers and reduce costs.

## Donbas Losing Interest in Gdańsk Shipyard Shares

*Puls Biznesu p. 12, September 14 2007*

Ukraine's Donbas is threatening not to bid for new shares in Stocznia Gdańsk shipyard, due to the new time framework for the transaction. The Industrial Development Agency (ARP), which controls the shipyard on behalf of the government, ruled that Gdańsk's shareholders may buy ZŁ400m worth of new

shares proportionally to their holding by 24 October. They may also buy existing shares by 9 November, but these will also be available to other bidders. Donbas is protesting against the 9 November deadline, as the decision on the shipyard's share sale is valid only for six months, while the later the deal is closed, the less time is left for winning the anti-monopoly office's approval before the decision expires. The Ukrainian company wants the deadline rescheduled to 19 October. ARP head Paweł Brzezicki claims the procedure must allow access to other investors.

## Asseco Wants to Take Over Prokom Amid Krauze Troubles

*Puls Biznesu p. 4, September 13 2007*

Asseco Poland wants to buy a controlling stake in Prokom Software, owned by CEO Ryszard Krauze, after Krauze decided to stay abroad due to a corruption probe. Asseco CEO Adam Góral offered ZŁ700m for about 23 percent of Prokom, as he wants to merge the two companies. Asseco was granted exclusive negotiating rights for Krauze's stake until the end of September. Asseco shares slumped more than 17 percent following Góral's statement, as according to analysts the price offered is too high. Góral's offer amounts to ZŁ200 per Prokom share; the market price is currently at ZŁ130. "I don't agree with the analysts, though I'm aware the price is high," said Góral. "Asseco will quickly regain the invested capital thanks to Prokom's potential." Góral plans to buy Prokom's shares within 120 days, to avoid calling a bid; he wants to finance the transaction with a bank loan, which would be paid back from capital raised in a 2008 share sale. The merger would be completed by April 2008.

## Audits Uncover Irregularities at PZU, Eureko Victorious in Court

*Gazeta Wyborcza online, September 12 2007*

On 12 September, representatives of the biggest domestic insurer presented the results of internal audits carried out at the company. The auditors discovered considerable irregularities in the allocation of funds for marketing, advertising and sponsorship, as well as in the expenses generated by the management board. The audit was conducted following a motion by PZU's former CEO Jaromir Netzel; it revealed that his predecessor, Cezary Stypułkowski, was particularly careless with his company's funds. On the same day, the insurer's shareholders accepted the group's consolidated financial report for 2006. Wednesday also saw PZU lose a court battle with its minority shareholder Eureko. In December 2006, Eureko filed a lawsuit against the Treasury, which is the majority shareholder in the insurer, after it was accused of using lobbying and misinformation. Disappointed with the initial verdict, the Treasury appealed against it, only to see it sustained by the Court of Appeal.

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