The Public Debt in Eastern Europe

by NND

La Marlagne, 28.06.13
Central & Eastern Europe... where exactly?
<table>
<thead>
<tr>
<th>state</th>
<th>EU</th>
<th>EZ</th>
<th>public debt</th>
<th>citizens</th>
<th>GDP</th>
<th>debt/citizen</th>
<th>debt/GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>-</td>
<td>-</td>
<td>5 853 481 137 €</td>
<td>2 783 000</td>
<td>9 659 688 000 €</td>
<td>2 103 €</td>
<td>60.6%</td>
</tr>
<tr>
<td>Belarus</td>
<td>-</td>
<td>-</td>
<td>17 773 683 823 €</td>
<td>9 458 000</td>
<td>48 160 639 000 €</td>
<td>1 874 €</td>
<td>36.9%</td>
</tr>
<tr>
<td>Bos. &amp; Herz.</td>
<td>-</td>
<td>-</td>
<td>5 838 868 667 €</td>
<td>3 847 000</td>
<td>13 190 712 000 €</td>
<td>1 518 €</td>
<td>44.3%</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>+</td>
<td>-</td>
<td>7 194 750 126 €</td>
<td>7 261 000</td>
<td>38 842 786 000 €</td>
<td>9 899 €</td>
<td>18.5%</td>
</tr>
<tr>
<td>Croatia</td>
<td>-</td>
<td>c</td>
<td>24 467 565 600 €</td>
<td>4 258 000</td>
<td>43 473 163 000 €</td>
<td>5 746 €</td>
<td>56.3%</td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>+</td>
<td>-</td>
<td>64 405 957 649 €</td>
<td>10 519 000</td>
<td>149 274 458 000 €</td>
<td>6 123 €</td>
<td>43.1%</td>
</tr>
<tr>
<td>Estonia</td>
<td>+</td>
<td>+</td>
<td>1 414 478 673 €</td>
<td>1 283 000</td>
<td>16 644 842 000 €</td>
<td>1 102 €</td>
<td>8.5%</td>
</tr>
<tr>
<td>Hungary</td>
<td>-</td>
<td>+</td>
<td>76 310 221 456 €</td>
<td>9 894 000</td>
<td>96 591 549 000 €</td>
<td>7 713 €</td>
<td>79.0%</td>
</tr>
<tr>
<td>Kosovo</td>
<td>-</td>
<td>-</td>
<td>7 868 100 867 €</td>
<td>1 826 000</td>
<td>4 755 995 000 €</td>
<td>7 899 €</td>
<td>36.4%</td>
</tr>
<tr>
<td>Latvia</td>
<td>+</td>
<td>-</td>
<td>7 907 301 951 €</td>
<td>2 018 000</td>
<td>21 606 395 000 €</td>
<td>3 999 €</td>
<td>18.4%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>+</td>
<td>-</td>
<td>12 707 301 951 €</td>
<td>2 958 000</td>
<td>32 100 495 000 €</td>
<td>4 296 €</td>
<td>39.6%</td>
</tr>
<tr>
<td>Macedonia</td>
<td>-</td>
<td>-</td>
<td>2 450 934 166 €</td>
<td>2 066 000</td>
<td>7 366 578 000 €</td>
<td>1 186 €</td>
<td>33.3%</td>
</tr>
<tr>
<td>Moldova</td>
<td>-</td>
<td>-</td>
<td>1 516 512 733 €</td>
<td>3 486 000</td>
<td>5 521 127 000 €</td>
<td>378 €</td>
<td>23.8%</td>
</tr>
<tr>
<td>Montenegro</td>
<td>-</td>
<td>x</td>
<td>1 664 035 460 €</td>
<td>620 000</td>
<td>3 258 470 000 €</td>
<td>2 684 €</td>
<td>51.1%</td>
</tr>
<tr>
<td>Poland</td>
<td>+</td>
<td>-</td>
<td>204 819 367 118 €</td>
<td>38 548 000</td>
<td>371 278 264 000 €</td>
<td>5 313 €</td>
<td>55.2%</td>
</tr>
<tr>
<td>Romania</td>
<td>-</td>
<td>-</td>
<td>47 762 806 245 €</td>
<td>18 612 000</td>
<td>128 956 224 000 €</td>
<td>2 566 €</td>
<td>37.0%</td>
</tr>
<tr>
<td>Russia</td>
<td>-</td>
<td>-</td>
<td>167 437 068 237 €</td>
<td>143 455 000</td>
<td>1 539 368 100 000 €</td>
<td>1 167 €</td>
<td>10.9%</td>
</tr>
<tr>
<td>Serbia</td>
<td>-</td>
<td>-</td>
<td>18 122 926 380 €</td>
<td>7 203 000</td>
<td>28 472 783 000 €</td>
<td>2 516 €</td>
<td>63.7%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>+</td>
<td>+</td>
<td>36 621 545 920 €</td>
<td>5 413 000</td>
<td>69 977 922 000 €</td>
<td>6 765 €</td>
<td>52.3%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>+</td>
<td>+</td>
<td>18 271 110 509 €</td>
<td>2 062 000</td>
<td>34 729 349 000 €</td>
<td>8 061 €</td>
<td>52.6%</td>
</tr>
<tr>
<td>Ukraine</td>
<td>-</td>
<td>-</td>
<td>50 209 867 919 €</td>
<td>45 454 000</td>
<td>134 172 059 000 €</td>
<td>1 105 €</td>
<td>37.4%</td>
</tr>
<tr>
<td>Germany</td>
<td>+</td>
<td>+</td>
<td>1 212 002 715 872 €</td>
<td>80 557 000</td>
<td>2 588 944 800 000 €</td>
<td>26 342 €</td>
<td>82.0%</td>
</tr>
<tr>
<td>Greece</td>
<td>+</td>
<td>+</td>
<td>300 798 034 154 €</td>
<td>10 758 000</td>
<td>1 189 722 878 000 €</td>
<td>27 960 €</td>
<td>158.5%</td>
</tr>
<tr>
<td>Sweden</td>
<td>+</td>
<td>-</td>
<td>152 309 248 814 €</td>
<td>9 593 000</td>
<td>400 602 969 000 €</td>
<td>15 877 €</td>
<td>38.0%</td>
</tr>
</tbody>
</table>
pink colour indicates expenditures at the level of less than 40% of the expenditures at a given field in Germany;
red colour indicates expenditures below the level of 25% of the corresponding expenditures in Germany;
After the Transformation – huge expectations

- reduction of the oversized administration
- favourable conditions for the business development
- *down you lie or up you stand, either way you'll earn a grand*
- new investments
- human factor:
  - corruption -> nepotism -> **cronyism**
- prosperity & welfare
- capitalism vs financial enhancements
- asset-backed lending & assets-purchase-driven credits
Local determinants: banking system

- ownership structure / instability
- central banks’ role
- credits supply flow / currency exchange rates

Local determinants: debt

- creditor structure
- interest rate
- maturity
- general condition of economy
- use
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01 Eastern & Central Europe
02 Myths of Transformation
03 Local determinants
04 Crisis: now & in the future
05 Conclusions
06 Debt in Poland
07 Polish cities’ debts
08 Citizens’ debts
09 Debt initiatives in Poland
10 Questions

hyperinflation
open market
deficits
bad governance
salaries cuts
unemployment
asset inflation
assets-backed credits
subsidies cuts
seizing the revenues
deregulation
tax allowances
precarization
poverty
unprofitability
of state-owned companies
foreign investments
even worse
governance
consumption
decrease
privatization
economic
destabilization
global crisis
crisis
tragic social
consequences
outflow of
investors
outflow of
money
Conclusions:

- investments in financial sector vs industrial sector
- control: private vs state vs civic
- negative trade balance vs EU-subsidies & investments
- inflation vs deflation vs speculation
- consumption: increased vs decreased
- special economic zones & tax reliefs
- weakness of the central & national banks (The Vienna Initiative)
- precarious work
- optimistic forecasts vs the collapse of the welfare state & dedemocratization processes
Debt in Poland:

- though huge deficit (3,9% of GDP), positive moods
- public debt: €205 bn (old debt + OFE + new debt)
  2,5% -> 3,4% -> 3,8% -> 3,9%
  2013 -> 1%
- assumed budget deficit level (2012-2015):
  €10,9 bn -> €6,8 bn -> €7,4 bn -> €7,9 bn
  2013 -> €8,23 bn (87% at the end of May, 13)
- assumed euro exchange rate (2012-2015):
  4,0 €/pln -> 3,8 €/pln -> 3,6 €/pln -> 3,5 €/pln
  2013 -> 4,34 pln per euro
- how to cover the budget gap...? indebtedness, cuts, privatization vs tax enhancements
yearly cost of the debt service burden (in bn PLN; exch. rate ~4.1)

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<table>
<thead>
<tr>
<th>city</th>
<th>debt indicator</th>
<th></th>
<th>debt service burden</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>total</td>
<td>without EU projects</td>
<td>total</td>
<td>without EU projects</td>
</tr>
<tr>
<td>Poznań</td>
<td>71,8%</td>
<td>58,2%</td>
<td>9,4%</td>
<td>9,4%</td>
</tr>
<tr>
<td>Kraków</td>
<td>64,0%</td>
<td>59,8%</td>
<td>14,9%</td>
<td>14,6%</td>
</tr>
<tr>
<td>Gdańsk</td>
<td>64,2%</td>
<td>54,2%</td>
<td>14,2%</td>
<td>14,2%</td>
</tr>
<tr>
<td>Łódź</td>
<td>58,3%</td>
<td>58,3%</td>
<td>14,9%</td>
<td>14,6%</td>
</tr>
<tr>
<td>Wrocław</td>
<td>62,6%</td>
<td>57,9%</td>
<td>11,0%</td>
<td>10,9%</td>
</tr>
<tr>
<td>Toruń</td>
<td>85,1%</td>
<td>57,6%</td>
<td>8,7%</td>
<td>7,8%</td>
</tr>
<tr>
<td>Biała Podlaska</td>
<td>58,1%</td>
<td>58,1%</td>
<td>14,6%</td>
<td>14,6%</td>
</tr>
<tr>
<td>Siedlce</td>
<td>64,1%</td>
<td>49,1%</td>
<td>9,7%</td>
<td>9,7%</td>
</tr>
<tr>
<td>Włocławek</td>
<td>69,5%</td>
<td>38,7%</td>
<td>7,8%</td>
<td>7,8%</td>
</tr>
<tr>
<td>Żory</td>
<td>61,3%</td>
<td>43,6%</td>
<td>19,6%</td>
<td>15,9%</td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>Entity</th>
<th>Debt 2008</th>
<th>Debt 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>MPWiK</td>
<td>€ 69,411,765</td>
<td>€ 179,058,824</td>
</tr>
<tr>
<td>MPK</td>
<td>€ 60,235,294</td>
<td>€ 133,647,059</td>
</tr>
<tr>
<td>Wrocław 2012</td>
<td>€ 216,911,176</td>
<td>€ 103,529,412</td>
</tr>
<tr>
<td>TBS</td>
<td>€ 42,352,941</td>
<td>€ 80,470,588</td>
</tr>
<tr>
<td>Aquapark Wrocław</td>
<td>€ 33,411,765</td>
<td>€ 29,647,059</td>
</tr>
<tr>
<td>Zoo</td>
<td>-</td>
<td>€ 6,329,412</td>
</tr>
<tr>
<td>Wrocławskie Mieszkania</td>
<td>€ 235,294</td>
<td>€ 447,059</td>
</tr>
<tr>
<td>Wrocławskie Inwestycje</td>
<td>€ 611,765</td>
<td>€ 400,000</td>
</tr>
<tr>
<td>Spartan</td>
<td>€ 447,059</td>
<td>€ 305,882</td>
</tr>
<tr>
<td>WCRiMS</td>
<td>-</td>
<td>€ 235,294</td>
</tr>
<tr>
<td><strong>TOTAL (companies)</strong></td>
<td>€ 423,647,059</td>
<td>€ 531,270,588</td>
</tr>
<tr>
<td><strong>the city</strong></td>
<td>€ 223,529,412</td>
<td>€ 470,588,235</td>
</tr>
<tr>
<td><strong>TOTAL DEBT</strong></td>
<td>€ 647,176,471</td>
<td>€ 1,001,858,824</td>
</tr>
<tr>
<td><strong>INCOME</strong></td>
<td>€ 761,647,059</td>
<td>€ 894,117,647</td>
</tr>
<tr>
<td><strong>TOTAL DEBT / INCOME</strong></td>
<td>84.97%</td>
<td>112.05%</td>
</tr>
</tbody>
</table>

---

Wrocław
Citizens’ debt:

- total citizens’ debt: **9,6 mld euro**
- increase in non-paid debts for the last 2 months: **2%**
- number of subprime debtors: **2 257 517**
- average debt of a subprime debtor: **4 000 euro**
- % of Poles not settling account on time: **5,9%**

Context:

- **10.5 m** out of 23.5 m Europeans whose **daily income is ≤€10** are Polish nationals
- Poles are **44 %** of EU-citizens with **daily income <€5**
- **2.2 m** Poles lives in **poverty**; the next **6.5 m** cannot afford even a modest life (**≤€110 per month**)  

nevertheless the state aid for the poorest is being reduced. **€1.75 bn (2005) -€1.65 bn (2009)**
Some of the initiatives in Poland:
Questions:

- when a debt is a bad debt?
- why they say Polish economy is doing well?
- why Poland is a neoliberal stronghold?
- what are the life conditions in Poland?
- who is doing well in Poland these days?
- what will be the future of the country taken into account the present level of investments in social protection, health care, culture, education etc.?
- why there are more & more proto-fascists movements?
- what are the chances for... a change?
- and what are the chances for a (mental) revolution?
BIBLIOGRAPHY

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Grzegorz Konat, *Dziura. Instrukcja obsługi*

Jacek Krzemiński, *Za inwestycyjne szaleństwo samorządów zapłacą mieszkańcy*

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Jan Toporowski, *Europa wschodnia: kryzys aktywów postkomunistycznych*

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& Eurostat, IMF, Wikipedia: various sources
THANK YOU!

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