

**The Report  
Poland**

# 2013





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# Interview

## with Mr. Janusz Piechociński



**Mr. Janusz Piechociński**

*Deputy Prime Minister, Minister of Economy  
of the Republic of Poland*



Economic forecasts for Poland for 2013 do not look optimistic. The threat of recession is hanging over the first half of the year and economic growth may not exceed 1 percent for the year as a whole. Is it high time to announce the end of the “Green Isle” myth?

As the experience of the preceding years shows, the Polish economy has a great economic potential when compared to other European Union countries. Its foundations are exceptionally resistant to the influence of such extremely negative external factors as global recession.

At this precise moment, it is difficult to anticipate the scale of the national economy's growth rate in the first half of the year. However, I am of the opinion that the recession scenario is very unlikely.

The growth rate forecasts for our economy are also positively assessed by outside observers. With the moderate forecasts for the whole UE being 0.3 percent for the year as a whole, the economic growth rate forecasts for Poland are considerably better and oscillate between 1.5 and 2.1 percent of GDP. According to foreign analysts, this is due among other things to fiscal consolidation and state support given to investors.

**What tasks do you hope to accomplish as the Minister of Economy in this relatively difficult economic period?**

**What precise objectives do you intend to pursue in the present tenure?**

At present my work focuses on trying to maintain a good position as a country attractive to foreign investors. Prolonging the operation of the Special Economic Zones by 6 years, i.e. until 2026, may turn out to be a key factor in this matter. I am also of the opinion that it is essential to develop new rules for granting subsidies in the government's Programme Supporting Investments of Greater Importance to the Polish Economy for 2011-2020. It would be strategically useful to increase subsidies for business owners, potentially creating many new workplaces, in order to encourage big consortia to launch their business activity in our country. We are going to support innovative and ambitious solutions.

**What are the most important challenges currently facing the Ministry of Economy as far as Polish energy policy is concerned? Is 2013 going to bring essential solutions within the shale gas sector, which has recently dominated the discussion on energy policy?**

We have only recently started modernizing the Polish energy policy. Among other things it includes ideas for utilizing gas from unconventional resources, dealing with climate challenges, creating a common

energy market within the European Union and on contributions from the European funds from the new financial perspective 2014-2020. We are also going to modernize the coal-based power industry, as well as reduce the energy consumption of Polish industry.

We are fully aware of the importance that the commencement of mass shale gas excavation may have for Poland. As the example of the United States shows, positive effects of the so-called shale gas revolution are reflected in the increasing competitiveness of the economy, the improvement of power industry safety, the complete independence from the necessity to import this raw material, as well as in the creation of many new jobs.

The near future is going to be groundbreaking for the shale gas excavation sector. We are working on new regulations that which include the licence-related system and state involvement in the excavation projects. We are certain that the regulations proposed by the state will create an amicable and stable business environment for investors who are already engaged in the search for shale gas in Poland.

[What stand do you take on introducing the common European currency in Poland? When should it take place?](#)

Entering the EU obligated us to adopt a common currency, but the actual implementation date was not stipulated. Joining the Economic and Monetary Union (EMU) would give us many benefits, such as reduced transactional costs and exchange rate risk. This, in turn, would lead to reduced operating costs paid by business owners, which would be an incentive for domestic and foreign investors to locate their projects in Poland.

However, we should not forget about the potential risks connected with our entering the EMU. They include the possibility of losing the competitiveness of the Polish economy in the event that the European Central Bank's

monetary policy turns out to be procyclical, which means that it would be adjusted to the real predispositions of our economy. Countries such as Portugal, Spain and Greece had to face this problem.

Finally, we also have to bear in mind that our readiness to enter the Eurozone is assessed by means of objective criteria, i.e. via the criteria from Maastricht. According to the latest data, in December 2012 Poland did not meet any of them, i.e. the interest rates, the price stability or the fiscal criterion. What we want is to be a stable country within the Eurozone.

[Is it your belief that direct foreign investments may be a key factor giving support to the Polish economy? Do you intend to attract such investments from big international consortia? Especially within the automotive industry, the sector where Poland has lately been suffering from severe effects of the economic crisis?](#)

Advancing investments guarantee dynamic economic growth, which, in turn, enables us to combat recession and counteract unemployment with the creation of new jobs. It is encouraged by the inflow of new technologies and spreading of know-how. This is the reason why it is so important to acquire the support of foreign consortia willing to start up their business activity in Poland. One of the objectives of the Minister of Economy is to ensure an increase in innovativeness and competitiveness in the domestic economy through fostering new Polish projects as well as from foreign companies. We aim mainly to attract investors from priority sectors such as automotive, electronics, aviation, biotechnology, modern service industry, as well as research and development.

There is no doubt that recognition received from foreign experts constitutes a great help in acquiring new projects. According to the Ernst & Young European Attractiveness Survey 2012, Poland was indicated by managers of international companies to be the second most attractive place in Europe for investments for

the next 3 years. It gives way only to Germany. Our country takes the 6th place in Europe when it comes to the amount of jobs being created and 8th place with respect to the amount of projects being carried out.

As I have just mentioned, the automotive sector remains one priority. Considering the difficult situation of the whole European automotive industry, it is highly beneficial to sustain the production baseline by e.g. encouraging companies to locate their new projects in Poland or develop further businesses that are already here. We are also anxious to enlarge the output markets for Polish automotive products. Moreover, we are striving to rejuvenate the motor vehicle fleet market by means of introducing tax changes and making alternative powertrains and fuels more accessible to the general public.

[The Ministry of Economics declares that the deregulation process will be continued, as well as the work on facilitating business activity. What specific steps have already been implemented towards achieving these goals and what else can be expected in 2013?](#)

We have already prepared a number of regulations to facilitate launching and running a business and we are planning more. Since 1 January 2013 the act on reducing some of the administrative burdens in the economy is in effect. It enhances the conditions for running a business in Poland through limiting late payment backlogs and eliminating unnecessary disclosure requirements. The regulations are mostly advantageous to small and medium size businesses which do not receive due payments in a timely manner.

Currently, we are working on the 4th deregulation act. Its purpose is mainly to eliminate or reduce some of the burdens put on businesses. We are concentrating on the simplification of bureaucratic intricacies, limiting disclosure requirements and laying foundations for a mutual trust between business owners and state institutions.

We have put forward over 30 new proposals limiting the disclosure requirements put on business owners, the implementation of which would bring considerable savings. It is estimated that the savings may amount to as much as PLN 274 million. This would involve a potential reduction of 9 million working hours currently spent on unnecessary activities.

The proposed changes in the regulations are also intended for Polish ports and cargo handling terminals. Our aim is to increase their competitiveness by shortening the border control time, letting the customs administration be the coordinator and by prolonging the time limit for the imported VAT settlements for the entitled business owners.

We have also started working on an act on standardization of some of the templates for administrative procedures. It is our belief that this will simplify the legal environment and make running a business easier. Templates standardization will render them electronically accessible, shorten the waiting time, improve the effectiveness of administrative procedures and reduce the burdens put on citizens and business owners, as well as saving their time.

The proposal for the implementation of the “two-time-limit” rule to the legal system has been brought to the attention of the interministerial debates and public consultations. According to this rule, the regulations referring to launching and running a business are to be in power only twice a year, e.g. on 1 January and 1 June. This would help business owners in effective and reasonable planning of their operations, as well as shorten the time spent on analyzing and complying with new regulations. According to the poll carried out by the Ministry of Economy, as many as 86 percent of business owners surveyed advocated introducing the proposed changes to the regulation in question.

What assets and qualities of the Polish economy would you highlight in order to encourage foreign investors to locate their capital in a business upon Vistula?

First and foremost, I would highlight the stability of the Polish economy and the strong foundation for further development. Despite the adverse situation on the global markets, we are still one of the top European countries as far as the GDP growth rate is concerned.

Moreover, we are one of the biggest European Union countries with large absorptive internal market. Our presence in the EU is considered to reduce political, social and economic risk to some extent.

The positive investment ambience can be also ascribed to a perfect geographical location. Being conveniently located in the centre of Europe and at the intersection of its main communication routes, makes Poland perfect for exporting commodities to all European countries and thus reach more than half a billion consumers. Our main partners include Germany, Russia, China, France, Great Britain, Italy, Hungary, Ukraine and Spain.

Foreign investors also appreciate our highly qualified staff. We offer well-educated employees including technical graduates, so much desired by employers. In Poland there are almost five hundred higher education institutions employing over a hundred academics, half of which have a PhD title. Polish specialists are highly valued all over the world.

What is more, foreign investments are stimulated by a broad system of encouragements. The possibility of investing in the Special Economic Zone is certainly one of them. In Poland 14 have been selected that are intended for running a business under preferential conditions. What the SEZ has to offer includes tax exemption, a simplified hiring process and the well-prepared ground for investments. That is why we hope to prolong the operation of the zones until 2026.

As I have already mentioned, some of the sectors are of an exceptional value to us, e.g. due to the amount of jobs being created. The automotive industry is one of the sectors where we have been implementing the Programme Supporting Investments of Greater Importance to the Polish Economy for 2011-2020. Company owners planning to invest in the automotive industry may count on financial aid. It will be granted for the production of automobiles, motor-car bodies, trailers, semitrailers, parts and equipment for automobiles and their engines.

One example of the state's helpful involvement that has been appreciated by the business owners is the structural funds. The Ministry of Economics put into operation the Innovative Economy Operational Programme 2007-2013. In recent years the activity focused on the investments in the innovative enterprises has met with an unremitting popularity. These were mainly financial aids for putting into operation the results of studies carried out within the research and development sector, as well as for the projects of a great significance to the economy. Although all the competition budgets have already been used up, the programme documentation for the next financial perspective for 2014-2020 is being prepared and new financial funds will be preserved for entrepreneurs.



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# Interview

## with Prof. Danuta Hübner

**Mrs. Danuta Hübner**

*Member of European Parliament  
she served as European Commissioner for Regional Policy*



**What is the role of Poland in Europe and in the world?  
How is Poland perceived by other countries?**

The position of Poland has changed during recent years. It is now a completely different country than before the political transformation. Mentality of the society has also changed. We are part of the free world and its full-fledged citizens now. Accession to the European Union was another extremely important step for our country. Now, it is important for us to keep improving the image of Poland. Our Presidency of the European Union was a good opportunity to show a beautiful, modern Poland, which has a huge potential and impact on what happens in Europe. After joining the EU young Polish generation appeared on western labour markets and in the European institutions as an educated man, who knows the language, knows how to work hard and efficiently. This favour changes of Poland and Poles image, as well as well as our increasingly competitive and strong economy. It is a big step, but we still have a long way to go. We still don't use our whole potential and a lot needs to be changed. First of all, we have too little awareness of the fact that we are a part of Europe and we have a chance to influence it. We have to be perceived not only as those who expect support from Europe, but also as those who care about the Europe and guard its interests. All these changes are going in the right direction. However, we need to have constant awareness of the responsibility for this image, because it takes a lot of

time to build a reputation but it is very easy to lose it.

**How does Poland, in comparison to other European countries, cope with the crisis? Do you think that the way out of this crisis will be long-term and painful process, or maybe Europe is already coming out of it?**

The crisis has shown that the area of common currency is not fully established and has a lot of weaknesses. Europe realized it very quickly and uses this knowledge to make big changes. It was the fact thanks to which the reform of the European financial sector has been taken. Europe uses the crisis to change itself. Today the main problem is that we have failed to find an effective solution and a way out of the crisis so far, because all reforms are focused on the future and prevention from the next wave of the crisis. This is a part of the task that Europe has already completed, but we are still lacking an idea to reduce Greek debt. We may not be perfect in finding for solutions, but now we are introducing new methods to counteract the crisis.

We are focused on consolidation packs and on reducing public expenditure. We are often criticised that reforms are implemented too slow or too late. But critics do not see the fact that financial markets consider the ability of countries to improve competitiveness and to create new jobs but also debts and deficits. Europe uses the crisis – we are moving forward and there are forecasts according to which Euro Zone should achieve a record



growth next year. However I think that it is going to be rather a long period of slow growth. We still need many reforms in the area of real economy and European structures. Especially those which serve competitiveness and create conditions that generate growth.

The role of Poland and other EU members, which has huge untapped potential, can be significant in the development of growth. Therefore, we must be well prepared for this and be aware that, in order to become a locomotive pulling the European economy, we need to invest in innovation and build the competitiveness of our country.

[What should be changed, in your opinion, so that Poland could become more competitive and attractive for foreign investment and in promotion of local entrepreneurship?](#)

It is important for us to have a very disciplined and economically sensible fiscal policy. The crisis in Europe shown perfectly how quickly and ruthlessly markets exploit weakness and bad choices of each country. We have to keep an eye on the balance and stability of public finances and we need to reduce deficit, as these are main factors that potential investors are taking into account. In the Polish case this is not enough, because we are a country which uses traditional factors of its growth for too long. We reach for new sources of growth too slowly and we are not investing enough in education and innovation.

We need a radical change in our thinking to take advantage of our potential and factors which today determines the competitiveness of the country. We definitely need to focus on innovation, not only technological, but also in the service sector and in the way of thinking and acting. It is extremely important for us to finally see that the change in the world, which makes us energy-efficient, can be a source of growth. In Poland, still too little is said about the efficient use of sources, especially sources of energy, which is unfavourable because they could be the driving force of growth. All these changes in our awareness

are progressing too slowly, which results in a lack of national policy on the matter, and makes Polish companies think too conservatively. They try to grow as long as possible only by using traditional factors.

[There are many opponents of Banking Union. What are the risks and the benefits of joining it? Why do you think we should join the union?](#)

Everything what is happening in the EU, all implemented reforms are focused on the strengthening of the Euro area. Common European supervision of credit institutions is a new approach to be adopted to improve the performance of the euro area. Most European politicians realize that dividing the Union to the core, i.e. Euro Zone, and leave the rest on the side, is a big mistake and a factor that weakens Europe, because Europe's greatest strength is its unity. We think about opening the Euro area institutions for those countries that are outside, especially for those who have plans or obligations to join the monetary union. We need to enable the access to those institutions and practices for these countries.

This division will create two markets of credit institutions. On the one hand are those under custody of the most respected institution - the European Central Bank, and on the other hand will be the countries which are outside the Euro Zone. There is a risk that the second market will be less attractive to potential investors, so not joining the Banking Union can significantly reduce our chances of an interest in our market and investing in Poland, and thus, weaken the chances of growth. However, we need to ensure that those who are in the Banking Union have the same rights and benefits from accession to the Union, not only feel the costs of it. It is very important for Poland now to decide what we want.

[Do you think it is harder for women to succeed in business and politics?](#)

When we reflect on the role, place and situation of women in business, we surely will find examples of women who have succeeded. There are many women who achieved a lot without any support and no one's help just by their own strength and smart use of the

conditions. Unfortunately, these are exceptions, and they should not be. Especially since statistics show that women are better educated and that there are more women than men at universities. Women are more open to education, they want to deepen their knowledge, take on new challenges and more likely to enter into new, unexplored paths. Upcoming times need such an innovative and unconventional thinking. These are the times in which the role of women can be extremely useful, as they are better adapted to changing conditions than men. I'm not saying that women are better and that therefore we need to facilitate them something, but there's no reason why we should not create conditions in which we could exploit their potential. Such conservative-minded society as Polish will expect from women to fulfil additional functions related to the maintenance of family and home for many years.

#### How do you manage to separate private and professional life?

I'm not one of those women who say that everything can be separated, because it seems to me that it can not. There is a need of change our mindset. Our families need to understand and accept our choice of the life's path, as well as employers should allow more flexible working hours. Public authorities can also support professionally active women, enable them to develop and make an effort to keep their commitment to combine family responsibilities and work was not a torture which reflects on their life and health.



#### What is the motto which guides you in your life?

I had a lot of luck in my life. Life favoured me and I was in a good place at the right time. However, I think that „no pain, no gain” and luck itself will not help. A big effort is needed to achieve goal. We need to assess what we can do and what we want to do. For me, it was always important to do things that I like, and if I had to do something that I didn't like, then I would try to like it, because otherwise it would be very hard for me. You have to know what you want to achieve and work towards your goal. There will always be a lot of obstacles and people who will not agree with us and try to disturb our actions. If you are convinced that something is important, do not ask anyone's opinion, just do it. In 1995 I've created the first small and medium-sized enterprises policy in Central and Eastern Europe. If I had asked the Minister if I can do it, I'm sure his answer would have been “no”. Do not be discouraged, just draw conclusions and learn from yours and others mistakes.

#### How do you anticipate the year 2013 will look like?

I think that this next year will be not only different, but also better. It is expected that the European economy will begin to rise in the middle of the year, but it will not happen itself - we are shaping and building this growth. Therefore, everything must be done to make this year better and to achieve growth, which will separate us from the fear of the crisis and subsequent failures. There is a lot of work to do in Poland. We have to roll up our sleeves and begin to work on the stabilization of the political and economic situation, so we could focus on things which are important for our future and future of next generations. We should stop thinking about our past and focus on what can we do to improve the future, because the world does not stand still and eventually we will be left behind. New countries are waking up and they have a good chance to become very competitive markets in a short time. We need to find our own way to raise the competitiveness of Poland and its economy. The best way for this purpose is based on education and innovative thinking.

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# Polish economy

## Soft landing

It has now been 6 years since the outbreak of the financial crisis. During that time, Poland has gained a nickname of the 'Green Island' of Europe. This happened due to its economy, which has not buckled under the weight of a global slowdown. Now that the dust falls, it is time to question, when Europe, and with it, Poland, will return to the path of rapid growth.

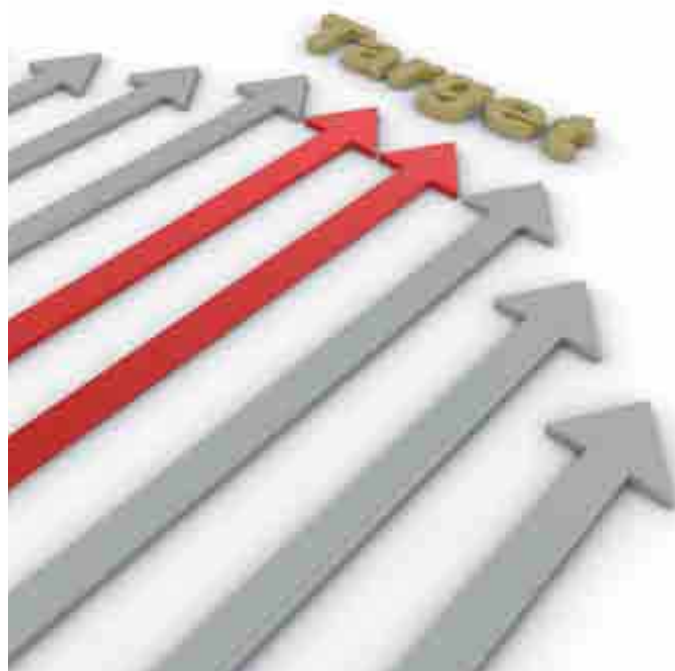
Well-educated workforce, low labor costs, huge domestic market, an ideal geographical location in the heart of the continent, a stable financial system and improving road infrastructure - factors for success of Polish economy can be listed for long time. If we combine them with the fact that Poland has been for years one of the biggest beneficiaries of money the

transferred within the European Union, we see the fullness of opportunities offered by this market for foreign investors and entrepreneurs. Although currently Poland, like most European countries, keeps struggling with the global trend of economic slowdown, it made it through the recession unscathed.

## Catching breath

In 2012, Polish GDP grew by 2 %. The growth rate was therefore lower than in 2011, when it stood at 4.3 %. Still, this is a relatively insignificant decrease in terms of GDP growth rate. In 2012 the economy of all the 27 member countries of the European Union shrank by 0.3 %.

In Poland, the driver of growth was exports. The difference between the value of goods exports and imports increased by 1.9 %. The pace of growth was influenced to a similar extent by investment in fixed assets (0.6 ppt) and private consumption (0.5 ppt). A small contribution to growth was observed on the side of domestic demand - barely 0.1 ppt.



Period	GDP	Domestic demand	Investment in fixed assets	Individual consumption	Net exports
I Q	3,6	2,5	6	1,7	1,1
II Q	2,3	-0,4	1,3	1,2	2,7
III Q	1,4	-0,7	-1,5	0,1	2,1
IV Q	0,7	-1	-3,4	-1	1,7
<b>2012</b>	<b>2</b>	<b>0,1</b>	<b>0,6</b>	<b>0,5</b>	<b>1,9</b>

-These data point to a continued slowdown in the fourth quarter, however – a rather moderate slowdown. As a result, we are at the stage of stagnation, that is something between (moderate) growth and recession. Strong slowdown in imports meant that net exports supports global demand and GDP growth in the area

between 0 and 1% - says Stanislaw Gomulka, chief economist at business organization Business Centre Club. –There are opinions that the downward trend might reverse in the second half of the year. Perhaps, although this does not necessarily have to mean a return to regular increases on a yearly basis.

## Interest in currency

An important vehicle on the road to restoring higher rates of GDP growth may be monetary policy, led by the Monetary Policy Council. At the end of 2012, the Council began a series of cuts in reference rates, lasting for several months. Analysts and the public expected it for a long time. Firstly, because the real estate crisis has led to a significant tightening of lending policies by banks, which, combined with high interest rates, dramatically raised the cost and availability of money for consumers and investors. Secondly, despite the limited supply of money, the inflation rate increased from 2.05 % to more than 5 % between August 2010 to June 2011. This was, among the others, a result of a VAT rates increases, which took place at the beginning of 2011.

In light of this, the Monetary Policy Council intervened and interest rate cuts gave the desired effect. In February, inflation dropped to 1.3 % - the lowest level

in six years.

- In the coming months, we expect a further deceleration of growth in consumer prices. The inflation will continue to decline, reaching a minimum in the summer months - says Ernest Pytlarczyk, BRE Bank's chief economist. – At that time, we expect the inflation level at around 0.8-0.9 %. This means that it will be significantly below the lower limit for deviations from the inflation target.

When it happens, in turn, it may lead to termination of interest rate cuts and the return of tight monetary policy. Regardless of the scenario in this respect, it is worth noting the effectiveness of the monetary authorities, which optimally combines the inflation targeting policy with maintaining a stable exchange rate of the Polish zloty to leading world currencies. Zloty exchange rate to euro in the past three years remained stable at around 4 PLN, while the U.S. dollar followed in the corridor between 2.6 - 3.5 PLN.





Responsible monetary and fiscal policy has been publicly appreciated by Mr Valery Giscard d'Estaing, the former French president, who stated that the Euro Zone Should freeze the process of acquiring new members, but only after letting in one more country - Poland.

-You are in favor of further European integration and you have an economy based on solid foundations. I have no doubt that Poland will join the euro zone - d'Estaing said, while interviewed by the 'Newsweek'.

## Problem to solve

The biggest problem of Polish economy remains connected with high unemployment. While labor market indicators have significantly improved in comparison to the beginning of the 90s of the last century, since the outbreak of the financial crisis figures give cause for concern again. In early 2013, the unemployment rate exceeded 14 %. According to official statistics, 2.3 million Poles remained unemployed. Widespread informal economy remains a significant problem and is caused by the phenomenon of persistently high tax wedge.

The employment in the corporate sector shows a downward trend in, the same applies for a wage dynamics.

- In the coming months the growth of wages cannot be expected to accelerate, due to low economic activity. We estimate that this rate will be close to 2%, which will be caused by the continuation of monitoring costs policy of the companies – Ernest Pytlarczyk adds.

Average salary in the enterprise sector in February was 3,709 PLN (about 1 159 USD).

## External fuel

Poland, a country of over 38 million inhabitants, observes a stable GDP growth rate, inflation rate keeps at a safe level and continuously cuts down its budget deficit. However, this would not be possible if it was not for the massive stream of financial funds transferred every year from the European Union funds. Money granted within the European Regional Development Fund as well as the Cohesion Fund helped boosting the investment potential among Polish entrepreneurs and local government units.

According to the Ministry of Regional Development, due to cohesion policy, production growth rate in 2011 was higher by 0.5 - 0.9 ppt and will stay leveraged by 0.6 - 0.7 during next years. Research has shown that the inflow of EU funds could also have boosted nominal GDP even by 7.2%.

Between 2007 and 2010 the value of GDP per capita has increased from 54 % to 63 % of the EU average. The Ministry of Regional Development estimates that through implementation of projects co-financed by the structural funds and the Cohesion Fund, it is likely to rise to 70% of the EU average in 2015. According to official information, Poland will receive 105.8 billion EUR, or about 440 billion PLN for the 2013-2020 period. This sum is even greater than that which Poland received for the years 2007 to 2013. The main objectives of this total are linked mainly to cohesion and agricultural policy issues, as well as to supporting young people in the labor market. This money is a unique development opportunity, especially in the face of the crisis.



**Mr. Sławomir Majman**

*President of the Polish Information  
and Foreign Investment Agency*



## Good opportunities for FDI in Poland

**Despite the economic crisis, Poland has a chance to achieve in 2013 similar level of FDI inflow in comparison with previous year. Currently Agency supports 152 projects with a total value EUR 4 billion, which in the next few years may create 26 173 jobs.**

The inflow of FDI was slightly higher in 2012 than in 2011. Agency noticed an 6% increase compared with 2011. This year will probably bring investments similar in value to 2012. Only in the first weeks of 2013 PAIIZ led to launch in Poland 4 investments with a total value EUR 157 mln, which will create 1 878 jobs.

Poland is still one of the most attractive places in Europe to run a business and invest a capital. Firstly, special economic zones offers many incentives and tax relief to investors. The entrepreneurs hope that the Ministry of Economy will agree to extend activity of zones at least to 2026. Then, in the zones will be employed around 11 000 workers.

It is estimated that thanks to investors attracted in last year, chances of finding job will be doubled in the following years. In practice it means that Poland is an European leader in terms of the percentage increase of the investment. We have reasons to be optimistic – we are better in that field than France, Germany and Italy.

Foreign companies willingly locate their business services centres in Poland. It becomes our national

specialty, but over the last decade this type of investment projects changed significantly its specificity. We have done a big step from typical call centres to specialized units. At the moment we open a centers that provide such complex services as: financial, science, marketing, exchange stock operations. It creates a genius possibilities for graduates of Polish universities.

Poland is one of the best locations in the world for automotive investments. The country offers highly-qualified human resources and a long-standing tradition in the industry. The presence of the most significant companies in the sector is not without merit, providing a complex network of cooperative relations and availability of sub-suppliers.

Forecasts – both domestic and international institutions – suggest that the most difficult period for Polish economy will be the first half of 2013. Then, in the second half of the year a slight improvement is expected mainly due to increased external demand. It will improve as well situation at labour market.



### **Prof. Witold Orłowski**

*Warsaw University of Technology Business School Director  
member of the Prime minister's Economic Council  
Special Adviser to the EU Commission*



## Polish economy in 2013

There is little doubt: 2013 is going to be a very difficult year for the Polish economy. The recession in Western Europe has its direct impact, as 78% of the total Polish exports is directed towards the EU countries (26% to Germany). In the year 2009, a sharp European recession led to the immediate, significant fall of Polish exports and to the major slowdown of the GDP growth. This time, however, the situation may be even more difficult. Firstly, because the room for manoeuvre for the fiscal policy is very much limited. In 2009 the government reacted to the problems by a large increase of the budget deficit, mainly due to significant tax cuts – in 2013 the need to continue a cautious fiscal policy greatly reduces such an opportunity. Secondly, the EU funds are not going to help a lot. In 2009 their inflow was rapidly accelerating, today we should rather expect a slowdown. Thirdly, the exchange rate remains rather strong – in a sharp contrast with the situation of 2013, when a sharply depreciated currency helped to keep jobs.

Nevertheless, hopes that Poland may be able to survive the current crisis without a long and deep recession are, once again, quite high. Fortunately for Poland, the recessionary impact of the eurozone debt crisis is uneven, with the Southern countries suffering more, and the key Polish export markets of Germany, UK, and

France much less (Italy is the only important trading partner of Poland from the South). Albeit the exposure of the country to the foreign financing is considerably high, the overall financial situation of Poland looks relatively comfortable. Due to austerity measures, the general government balance was reduced to ca. 3.5% of GDP with the debt to GDP ratio falling below 55% of GDP. The banking sector remains quite strong. Its vulnerability to exchange rate fluctuations of a reasonable scale, as well as to the quite unlikely risk of freezing international financial markets, is limited. It is only the high share of foreign banking groups in total assets that raises fears about possible contagion effects. Finally, the country's exposure to external financial risks is mitigated by the relatively high financial credibility, sufficient foreign exchange reserves (increased by a special flexible credit line secured by the IMF) and the continuously high attractiveness for FDI.

As an outcome I expect very difficult first half of the year, with a possible shallow recession and growing unemployment. In the second half of the year, however, the situation should start improving, leading to the all-year positive GDP growth of 1-2%. Therefore, there are good chances that we will finish the year 2013 in much better moods than at the beginning.

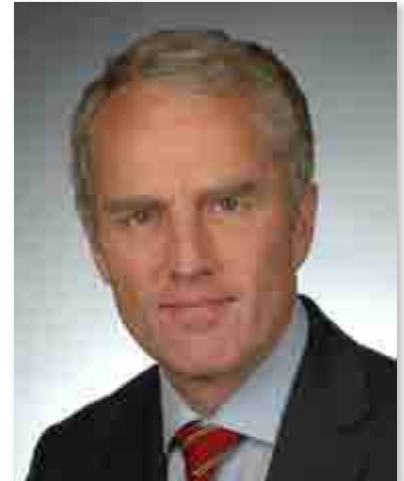




Embassy  
of the Federal Republic of Germany  
Warsaw

**Mr. H.E. Rüdiger  
Freiherr von Fritsch**

*German Ambassador to Poland*



## German-Polish economic relations – a success story

- 300,000 jobs created by German companies in Poland
- German foreign direct investment exceeding 20 bln €
- A huge potential for cooperation in the field of renewable energies and energy efficiency

Three aspects within the broad variety of German-Polish economic relations that have developed into a huge success story.

The smooth cooperation in politics, the business-like approach in trade and investments, the common positions on most European issues and the mutual sympathy in everyday life were inconceivable two decades ago. Poland's importance for German foreign trade is growing steadily. Among all other German trade partners in Central and Eastern Europe, Poland continues to hold first place – ahead of the Czech Republic and Russia. And we expect the flow of trade to maintain its dynamic development.

At the same time, Germany has by far been Poland's most important trading partner for many years. Approximately 26% of all Polish exports are shipped to Germany. Despite the burdens caused by the global financial crisis, Poland and Germany were among the countries with the highest growth rates within the EU in 2011 and 2012.

The Polish market is important for countless German exporters – world known brands and hidden champions likewise. Two thirds of German exports to Poland derive from industries that are traditionally strong in Germany – machinery and equipment, electronic products, cars, various commodities and chemical products. Notably, the structure of Polish exports to Germany does not differ considerably. Trade exchange adds up to an overall volume coming close to the 80 billion Euro mark.

The framework conditions for Polish-German economic relations are excellent. Many companies in Germany appreciate the policy of steady economic renewal in Poland and, though still slow at times, the improvement of Poland's infrastructure. The presence of an estimated 6000 German companies in Poland reflects the growing weight of Central Europe – including closer contacts to countries around the Baltic Sea, within the EU's Eastern Partnership programme and contacts within the framework of the Weimar triangle – France, Poland and Germany.

However, I still see potential for further investment in Central and Eastern Europe, with Poland serving as a hub between East and West. Poland's integration within the EU and the country's responsible economic and financial policy are an added value for investment

decisions of German companies. Last year alone, 18 new investments projects totalling 0,5 bln € have been started – creating more than 4500 new jobs in Poland.

Polish-German cooperation is extremely close in many areas – like in the field of economy. We are constantly discussing amongst us a plethora of bilateral, European and global topics. It is therefore no surprise that there are some issues where we have a different look at matters or take a divergent approach – as for example on climate change and the production and use of energy. In Poland, one often can hear the argument: ‘We can’t afford to go green.’ Stricter environmental rules, it is claimed, are a risk for the country’s competitiveness.

However, even putting aside the political argument (i.e. the challenge posed by climate change) it is worth noting, that you can earn money with an economy built on renewable energies – and it has been proven. In the long run, it may be the only way to run a profitable economy. It pays to go green. And there are many opportunities and a major competitive edge in particular for SME’s in both our countries in this sector.

Yet, first of all: Climate change is an issue of pivotal global importance. Global warming is a fact. Some companies are already affected by it – above all the insurance companies. Munich Re, the world’s biggest re-insurer has analysed tens of thousands of natural events. Analysts found out that the number of weather related disasters (storms, draughts, floods, forest fires, etc) have nearly tripled since 1980. The ten warmest years since the beginning of weather recordings 130 years ago were all within the last 12 years.

These facts explain, why the German government attaches such an importance to climate and energy issues. It therefore aims at providing a reliable and affordable supply of energy produced at sustainable conditions. At this stage already, significantly more than a quarter of Germany’s electricity production is based on renewables. When we started our ambitious

project twelve years ago, many voices could be heard saying: You will never make ten percent – and ruin our economy at the same time.

Ambitious environmental goals and a resolute climate policy produce many business opportunities and are an important incentive for innovation. And I am not thinking of wind, solar and biomass alone – there also is huge potential in energy efficiency.

A significant advantage are additional jobs. In Germany alone, about 370,000 new jobs have been created in the sector of renewable energies. Since 2004, the number of jobs in this area has more than doubled.

I am convinced that such an effect could likewise be produced in Poland. We can’t afford not to use the opportunities provided by alternate energy production and energy efficiency. German and Polish politicians and experts are already working on common projects for energy efficiency. Together we can develop technologies in the field of renewable energies that will slow down global warming while at the same time increasing our countries’ competitiveness. Our biggest natural resource is our talent for innovation and change.



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*French Ambassador to Poland*



## French-Polish economic relations

France has long been a partner to Poland. Our common history is abundant in examples of close relations based on trust. These close cultural and political relations, confirmed by President Hollande's visit to Warsaw at the end of 2012, are also reflected in close economic relations. With its investments, France supported the democratic transformations in the early 90s in Poland, a country opening up to the world, and thus contributed together with other countries to an astounding economic growth which has been continually taking place since nearly 20 years. Taking into account foreign accumulated investments, France has become the second- or third-ranked partner to Poland. Sector priorities chosen for the future years by Poland shall speed up the dynamics of the economic relations between France and Poland or even give a new boost.

### [Solid economic relations built within the last 20 years.](#)

Once the transformation period began, rising flows of direct foreign investments followed. Their value tripled in the years 2002 -2011, reaching €153 million at the end of 2001, mainly in industry (32%), finance and insurance sector (21%) as well as wholesale and retail trade (15%).

Around that time, French companies gained very good position in the most important Polish economy sectors. Frequently, the companies have become the leaders in their specializations, especially in supermarket

and hypermarket industry, tire industry, cosmetics, telecommunications, hotel industry. In the years 1999-2011, French investments rose five times, amounting to the accumulated total value of €20 milliard at the end of 2011 and ranking France the third place among foreign investors or even the second place depending on the calculation methods accepted.

There are around 800 French companies, or France related companies that employ directly nearly 200,000 workers. Moreover, 15,500 French companies - mostly small and medium companies - exported their products to Poland in 2011.

The significant position of France among foreign investors can be attributed to the fact that French companies took part in the process of privatization in the years 1995-2002. The list of privatizations is long, as from France Télécom taking part in the privatization of the well-known telecom operator TP SA, to the recent acquisition of Warsaw SPEC SA by Dalkia company (a subsidiary of Véolia Environnement and EDF).

[Although the cooperation has weakened to certain extent in the recent years, future prospects are promising taking into account the sector priorities chosen by Poland.](#)

Solid economic relations between France and Poland has stabilized, yet in the recent years the economic ties in certain aspects have worsened. Being ranked

as the third or second investor in terms of accumulated investment value, France was the fifth- or fourth-ranked investor (depending on the calculation methods accepted) in terms of the flow of direct investments amounting to €1.8 billion.

On current trade relations the balance beneficial for France till now started to turn in 2009 and in 2012 trade relations recorded surplus in the amount of 1.2 billion Euros for Poland. The rise of Polish agri-food industry and the consequences of introduction of restrictive laws for the medication redounds that have affected the pharmaceutical industry of many countries, including France, partly explain this negative balance for France. France is now fifth on the list of Polish suppliers with 4% of market share, and fourth customer with 5.8% of market share. French position on the Polish market recently deteriorated and these ratios were respectively 4.2% and 6.1% in 2011.

Nonetheless, the perspectives of French-Polish economic cooperation in the coming years are positive. Poland undoubtedly will use well 73 billion Euros of Cohesion Fund received for 2014-2020, as well as it uses 67 billion Euros received in 2007-2013. Polish EU funds utilization rate of 85% at the end of 2012 is one of the highest among the countries benefiting from the help of EU.

With the substantial EU funds, Poland has created "Polish investments" program which will definitely support the investment area.

The main priorities of the program, which are the energy industry and structural investments, are already specified. Environmental sector (water treatment, waste management) is constantly evolving due to changes in current law and the aspirations of local authorities. Skills and experience of French companies in these three areas are generally known and respected.

We also collaborate in the energy sector. EDF/Areva, which have gained a rich experience building 60 reactors, submitted a bid for the implementation of the long-term Polish nuclear energy program. EDF and GDF-Suez are already the third and the fifth energy producer in Poland. French companies are also active

in the renewable energy sector, especially in terms of biomass (EDF research center near Krakow, the largest biomass energy block in the world constructed by GDF in its power plant in Połaniec), or the promising sector of sea wind farms. Whereas Alstom is a leader in the production of power turbines.

Companies such as Warbud, Eurovia, Bouygues, Thales or Systra, active in road and railway infrastructure industry, are also worth to mention as Poland is now in need of improvement in this field. In the environmental protection sector, important tenders for the water supply and waste water removal won by Saur (Gdansk, Konstancin) and Veolia, as well as promising tender for waste management in Poznan won by SITA. The contract will be implemented within the framework of public-private partnerships. This kind of initiative will undoubtedly contribute to the rapid development of cooperation in this field.

Economic relations between France and Poland are a reflection of the many strong links between our countries, shearing for centuries their culture and history. The renewal of these relationships thanks to the visit of the President of the French Republic in Warsaw, on November 16, 2012, positively influenced the economy. French minister of financial affairs places Poland among 47 countries with the highest potential for trade with other countries around the world. In his opinion, these countries will control 80% of the world's import to the year 2022. Poland has been classified in the Group of 20 of the most promising countries in the area of urban management, the cosmetic industry, pharmaceutical, agri-food, mechanization of agriculture, and electronic and digital technologies, which is also very positive. These strengths and opportunities should be used in future French-Polish relations.

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# Interview

## with Mr. Martin Oxley



British Embassy  
Warsaw

**Mr. Martin Oxley**

*UKTI Poland's Country Head*



**UK is one of the main Polish economic partners. How do you assess economic relations between our two countries?**

The economic relationship is developing well; we share a lot in common. Bilateral trade is over £14 billion. However there is massive potential for growth. If the UK were to do as well in Poland as it does in established EU markets we would see a doubling of our current performance by 2020 – a great target and one which we intend to pursue. Poland has grown exports strongly to the UK – however again there is much more to do. A significant part of Poland's trade with the UK is driven by foreign investment not home grown Polish companies. Polish companies have barely scratched the surface in investing and expanding in the UK. A good start on both sides. A marathon ahead of us.

**How do you support British investment in Poland?**

Good question. This year will see the biggest ever promotion action to support UK companies grow in Poland. We have 3 flagship campaigns which will run under the leadership of our Ambassador, Robin Barnett, all focused on growth. First the UK Trade and Investment team is spearheading a growth programme under 'Go for Growth in Emerging Europe'; second we are teaming up with the British Chambers of Commerce in the region to establish a British Polish LaunchHub – the most interactive trade and investment promotion

portal ever seen in this part of the world which will massively increase the potential for British and Polish companies to spot opportunities. The LaunchHub which is a public private sector partnership will feature an innovative E Commerce platform focused on direct sales. Third and perhaps the most important we are launching a massive awareness campaign across the region – with Poland being the lead country. We are seizing the opportunity of the London 2012 Olympics legacy and will in April launch an Emerging Europe is GREAT campaign – great emerging market opportunity close to home.

**Companies affiliated to the British-Polish Chamber of Industry represent about 25 percent of foreign direct investment in Poland. Why Poland is so attractive to British entrepreneurs?**

I think it's more than that but nevertheless a strategic share which is great. First Poland is the largest market in Emerging Europe – it has a young economy with sustained growth potential for the next 20 years. This creates huge export opportunities. Second Poland is also a bridge to big markets further afield on its Eastern borders – Russia, Ukraine and Belarus. Third Poland is modernising its energy, transport and service infrastructure – this brings huge opportunities for the UK services sector. There are also great supply chain opportunities.

In recent years Polish - British trade relations recorded a very rapid growth, particularly in terms of the rate of growth of Polish exports. Which Polish goods are mostly imported to UK?

Chemicals, automotive, engineering, building products and food and drink are key sectors. The key here is for Poland to shift its exports closer to the consumer. Currently exports are concentrated in the supply chain. The next big step for Polish companies in the UK is to consolidate initial export success and turn it into investment success in the UK as a springboard to global markets. The UK is one of the most successful traders in added value in the world. Poland has great potential to benefit here.

What are the benefits of regional cooperation between our two countries?

Good question. Growth, synergy and efficiency. First of all both are countries are well poised to lead a new growth agenda in Europe. We are both trading nations. Together one plus one makes three. A good example here is Rolls Royce – a global leader in power which has a great global technical design centre in Krakow. They also have a Baltic Energy hub in Gdynia. UK hi tech combined with Polish IT expertise to deliver growth in global markets. Another great example is the retailer Tesco which has not only pioneered modern retail in both countries but has committed significant efforts to its supply chains in the UK and Poland.

This year are organized meetings about Polish-British cooperation in the exploration and production of shale gas. The seminars are an answer to the growing interest in British solutions. How do you see the future cooperation between our two countries in this area?

If you believe the recent PWC Energy Report, Shale Gas is the world's next energy revolution. The UK and Poland have significant reserves. The UK is globally renowned as an expert in oil and gas exploration. Poland is at the beginning of its own gas journey. There is significant scope for political, exploration and infrastructure partnerships to make sure we make the most of both opportunities. The UK has an established skills and financial framework. Poland has latent expertise, skills and a thirst for energy security. A great recipe for success.



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**Mr. Ernst Kopp**

*Commercial Counsellor  
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## Austrian-Polish economic relations

For the past two decades, the economic relations between Austria and Poland have basically experienced a steady growth leading to an all-time-high of bilateral trade last year. A clear boost was brought about by Poland's accession to the European Union in 2004, leading to average growth rates of almost 20% in the three years following.

Although the economic crisis affected the economic relations notably in 2009, with Austrian exports to Poland slumping by a quarter and imports from Poland even by 27%, trade between the two countries quickly recovered, making Poland a top-ten export country for Austria and leading to an overall trade volume of EUR 6.1 bln in 2012 with a trade balance surplus for Austria of EUR 900 mln.

Main export goods from Austria to Poland are machinery and mechanical appliances, car and car parts, trucks, metal sheets, rubbers and polymers as well as packaging goods from paper or cardboard.

As for Poland's exports to Austria, the most important goods are mineral fuels, coal, tobacco, cars and car parts, trucks, furniture, half-finished goods made of steel, iron or plastics, copper and wood. Especially the tobacco industry has seen a significant growth in the recent years.

In terms of exports of services, construction and transportation play a major role in the economic relations between the two countries. From the Polish point of view, there is still a deficit in the balance of services with Austria, also caused by tourism:

Austria as travel destination is becoming more and more popular among Poles. Since Poland's EU accession, the number of Polish visitors in Austria almost doubled, focusing

mainly on the winter destinations in Tyrol and Salzburg.

In the ranking of the most favored travel destinations for Poles, Austria ranks 12th.

The outstanding economic performance of Poland and the EURO 2012 led Poland to a significant rise in popularity as a destination for Austrian tourists. Poland, and especially Krakow and Warsaw, are increasingly popular destinations for weekend trips.

In the past years, Austrian companies significantly increased their presence on the Polish market, establishing about 650 subsidiaries, which is an increase of more than 100% percent since 2004.

Austrian investment in Poland accounted for EUR 4.7 bln in the year 2011, which makes the country the 10th biggest investor in Poland.

Polish companies have about 50 subsidiaries in Austria. The total positions of Polish direct investment in 2011 accounted for EUR 137 mln.

One of the most popular investments of Austrian companies in Poland is the National Stadium in Warsaw, built for the EURO 2012. Also, an Austrian company was responsible for establishing the road charge system on Polish highways.

Alongside the EURO 2012, many of the large number of road infrastructure projects were carried out by Austrian companies.

According to the Polish Factoring Association, the Austrian bank Raiffeisen is their biggest member, with an annual turnover of more than EUR 4 bln.





## INVESTMENT OPPORTUNITIES IN OLSZTYN

Olsztyn is located halfway between Warsaw (211 km) and Gdansk (170 km) and 140 km from the center of Kaliningrad (Russia).

Olsztyn is fast-growing city inhabited by more than 175 thousand people. It is the capital of Warmia and Mazury region and one of the most important economic, academic and cultural centers of the north-eastern Poland. It stands out with its convenient geographical location, especially in the context of potential economic links with the region of Kaliningrad, the Baltic States and the Nordic countries.

There are six colleges in Olsztyn, which educate nearly 40 thousand students so the city plays a role of one of the major academic centers in north-eastern Poland. It attracts ambitious young people from all over the region. The biggest university in Olsztyn is University of Warmia and Mazury. It has 16 departments and more than 31,000 students, which represents approximately 80% of all students in the city.

Olsztyn local authorities are working on projects and investments for improving the quality of life and stimulating the development of the economy. Construction of new roads, preparation of land for investors' expectations, the construction of tram lines, as well as planned in the near future reconstruction of the railway station from the 70th of the last century will improve communication and transport accessibility. All these should attract investors interest in locating their investments in Olsztyn.



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## Polish Banking Sector – Prospects and Challenges

**Prof. Małgorzata Zaleska**



**Mrs. Małgorzata Zaleska**

*Member of the Management Board  
of the National Bank of Poland*

The Polish banking sector has remained stable and solvent for years, including during the recent crisis in global markets. In the last three years, regulatory capital of banks operating in Poland increased by 43%. In Poland no bank has gone bankrupt in 12 years and no extraordinary assistance has been provided by the State to banks during the recent crisis. It should also be emphasised that the Polish banking sector has been greatly profitable in recent years. In 2012 the net profit of the Polish banking sector amounted to PLN 16.1 billion and was higher by almost 4% than in 2011. If banks retained the whole 2012 profit and earmarked it for corporate loans only, while preserving the key safety norm, i.e. the solvency ratio, at the existing level of 14.7%, it would be possible to extend loans with the total value of almost PLN 110 billion. This demonstrates that, from the supply side point of view, it is possible to further increase lending in Poland. In addition, these achievements suggest that the Polish banking sector has passed the real stress tests in the context of a global crisis.

However, we should remember that nothing is given once and for all. And we should not forget Poland is not an island but constitutes one of the links of the European economy. The developments in other countries may translate into the conditions of the

Polish banking sector's functioning. The more so as the Polish banking sector has strong ties with the European banking system. The share of foreign capital in equity capital of the Polish banking sector amounts to 65% and the funding of banks in Poland by parent companies accounts for around 20% of total financing sources. At the same time, despite the fact that banks operating in Poland are small compared to their parent companies (foreign banking groups) they generate above-average profits. For example, a bank with a share of approximately 4% in the group's assets has generated 50% of the whole group's profit.

When discussing the developments in the Polish banking sector internal and external challenges should be remembered, both of a macroeconomic and legal nature. What should be mentioned among internal challenges of economic nature is a structural, short-term excess liquidity of the Polish banking sector accompanied by limited sources of long-term financing. The excess liquidity is the result of, among others, the global crisis and the fact that full confidence has not been restored in global financial markets. In turn, limited sources of long-term financing in the Polish banking sector result from limited supply of long-term household savings, lack of long-term saving incentives, lack of a well-developed market for bank

debt instruments and high borrowing needs of the public sector combined with the need to consolidate public finances.

As to the external conditions it should be pointed out that the Polish banking sector should find its place in and benefit from the new EU regulatory environment (CRD IV package) and in the revised European safety net structure. Finding itself in the new supervisory structure (macroprudential supervision and banking union) will pose a particular challenge. At the same time, it is justified to establish macroprudential supervision structures in Poland to counteract macroeconomic imbalances and reduce systemic risk, among other things. Another challenge will be to provide appropriate competences and role to the Polish supervisor of

the banking market in the process of transferring an increasing scope of supervisory authority to the level of the euro area and the countries that will establish close cooperation with the euro area (e.g. under a banking union). This is to serve the target solution which is, among others, a single banking supervision body under the Economic and Monetary Union (under the roof of the European Central Bank) and a single deposit guarantee scheme.

The facts and challenges concerning the Polish banking sector presented above are important but do not exhaust the topic. It should also be said that no doubt global and European developments will continue to have a significant impact on the Polish banking sector and the Polish economy.

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# Cities and Regions



## Economic jigsaw

**Regional development is an economic priority in Poland. Every year, earmarked for this purpose are not only financial resources from the Polish budget, but also from the one of European Union. The effects are visible - each year brings a significant improvement of infrastructure and standard of living in every single region.**

The Ministry of Regional Development has already distributed 240 billion PLN out of the whole amount provided by the EU budget for the years 2007-2013. Investments powered by the Community's means are bringing tangible benefits. Among the most important ones, there should be mentioned construction of:

- nearly 10.5 thousand km of roads, including 1.3 thousand km of motorways and expressways
- 1 516 km newly created or upgraded railway lines
- nearly 35 thousand km of broadband

- 3871 sewage treatment plants.

European funds have supported nearly 23 thousand Polish enterprises and allowed for creation of 286 thousand new jobs. They have also supported 1.8 thousand innovative projects, helped implementing 2.4 thousand technologies and more than 5 thousand e-services. Measurable benefits of investment in regional development form a long list. Some regions can boast of an already established economic position, others are dynamically climbing up the development ladder.

## Traditional strengths

Presentation of the economic potential of Polish regions could not be started otherwise, than by introducing the silhouette of Mazovia, a land situated in the country's geographical center. It plays more and more important role on the economic map of whole Europe. To a large extent due to a fact that it is here where the Polish capital, Warsaw, is situated.

While the capital city's GDP has already reached the average level recorded in the EU-15, the GDP of Mazovia remains at 50 % of European regions average. Therefore significant structural funds are spent here to improve infrastructure, attract investment and accelerate economic development of the region. In the future, due to its central location and territorial proximity, along with the province of Lodz, Mazovia will create a strong, central business hub.

Another important economic center is located about 300 km south of Warsaw. Cracow, the capital of Lesser Poland region and a historic Polish capital city, is developed at the crossroads of major international routes. Investors deciding to place their operations in Cracow gain access to large regional market, as well as to the well-skilled workforce with a low cross-section of age - under 60 years. International airport, extensive rail network and well-organized public transport contribute to the city's image of a perfect economic investment destination. Proximity of other large urban centers, like the historic city of Czestochowa in Silesia or Kielce in Swietokrzyskie region, is also an important communicational asset of Cracow. The city is also where headquarters of various business associations, international banks and chambers of commerce are



to be found (such as e.g. the British-Polish Chamber of Commerce, the American Chamber of Commerce, Cracow Merchant Congregation or the Chamber of Commerce). What is also vital, on November 23, 2012,

the international rating agency Standard & Poor's affirmed the long-term international rating of Cracow at A-/ Stable /, which means maintaining the position of the years 2008-2011.



## Business cards of Poland

Lower Silesia, with its capital in Wrocław, is consequently strengthening its position of an economic, cultural and touristic center of south-western Poland. Recently, the local government has adopted the Silesia Region Development Strategy 2020. One of the most important plans of the strategy is to build the so-called Motorway of the New Economy - the area centered around existing and planned roads, which will become a place of dynamic development of the industry based on the latest technologies and modern services. This project should be completed by 2020. In addition, the document assumes exploration of natural, spa and cultural values of Sudeten and Sudeten Foreland, Lower Silesian Forest and the Barycz Valley. These projects total value is estimated at approximately 96.4 billion PLN.

Lower Silesia, in turn, gained reputation of the most industrialized area of Poland and Europe. Its historical strengths are connected with heavy industry and mining, which developed through the extensive resources of fossil fuels, with coal at the helm. Today, the region can boast of a population of million people and blooming economy sectors, such as automotive, BPO, IT and renewable energy.

Along with Silesia and Mazovia, the group of regions with lowest investment risk should be supplemented with the Greater Poland voivodeship, with its capital in Poznań. This region can boast of a steady economic growth, a significant degree of industrialization, high level of technology and openness to external markets. Greater Poland is also characterized by a large share

of the private sector in the region's economy, as well as a relatively low cost of labor: average salary lays here at 91% of the national average.

Significant investment incentives may also be found in Pomeranian region. That is where the largest urban agglomeration of northern Poland is located.

## Arising powers

While Pomerania's fastest developing sectors include BPO, energy, logistics and light chemicals, its neighboring region - Western Pomerania - complementary specializations are industries related to renewable energy sources. Western Pomerania, bordering the Federal Republic of Germany, is a great base for business contacts with the European Union's western markets. The most important centers of the region are - Szczecin (the capital) and Koszalin, as well as strongly developing municipalities, like Karlino.

Another important economic center of northern Poland is located in Kujawy-Pomerania, with its central cities Bydgoszcz and Torun. Local Regional Development Agency, which is responsible for handling EU assistance programs in the region, is involved in the development of the Torun Technology Park, operating since May 1, 2005. The goal of TPT is to attract investors to the city, create conditions to encourage pursuit of economic

The Tri-City consists of Gdańsk, Gdynia and Sopot, which rapid development has gained international attention in recent years. Pomerania is a convenient seaside location, offering well-developed port facilities and most convenient communication connections to Scandinavia.

activity in Toruń and support the development of local entrepreneurship.

Three other technology parks are to be found in the Warmia and Mazury region, with its capital in Olsztyn. Technology parks in Elk, Elbląg and Olsztyn offer a favorable business environment in the third largest region in Poland with an area of over 24 thousand square kilometers. Warmia and Mazury dispose of high potential for agricultural production and agro-food industries, as well as world – wide recognizable tourism assets - the Masurian Great Lakes. Serving as the 'green lungs of Poland', the region is an ideal location for investment in the field of eco-industries. The Warmia and Mazury registered nearly 109 thousand businesses. This group is dominated by the private sector in 94 %. Industrial production in the region has a value of 15.8 billion PLN, which gives it 11th place among the 16 provinces.



# Interview

## with Mr. Rafał Dutkiewicz



**Mr. Rafał Dutkiewicz**

*Mayor of Wrocław*

Year 2012 was a very good year for Wrocław agglomeration when comes to bringing investment. More than 20 investors will generate 5000 work places. How is the city stimulating the economy and convincing entrepreneurs to invest here?

Indeed, it was a very good year for us and we are really proud of this success. According to Polish Information and Foreign Investment Agency's data, our region was the most popular in Poland among foreign investors. I hope this leadership will be kept in the future.

Wrocław Agglomeration Development Agency, which is responsible for convincing entrepreneurs to invest in the agglomeration, helps them on each step of the investment process and answers to all their needs. Investors do appreciate such a model of cooperation and this is one of the reasons why Wrocław became so popular.

**What kind of companies and from which sectors invest in Wrocław? Can you give us some examples?**

Wrocław agglomeration tries to keep the balance between sectors – we aim at attracting both investors establishing here modern service centers to give good job opportunities to our graduates and manufacturing companies representing different branches, to reduce unemployment among less qualified workforce. In 2012 we reached a perfect balance – 2500 new work places in the service sector (e.g. Becton Dickinson, Qatar Airways, Luxoft, Qiagen, Credit Suisse) and

2500 in manufacturing (e.g. Bama Companies, BASF, Wabco).

Polish Information and Foreign Investment Agency pointed out two Wrocław agglomeration's investments – Dolby and BASF – as the most important in Poland in the year 2012. This fact proves that not only numbers count, the quality of investors is very high too.

**What is comparative advantage of Wrocław with other cities in Poland?**

Wrocław has a really strong brand within Poland – it is one of the most modern and most beautiful cities in the country. It helps to attract both young people and investors. We are proud of well developed infrastructure (including latest investments: new airport terminal, motorway bypass, municipal stadium or modern concert hall), attractive pool of talents, very high quality of life and location close to German and Czech border with access to important highway connections.

**Wrocław adopted investment plan for 2013-17 which are the main and biggest objectives?**

After huge investments carried out in the context of EURO 2012 we want to develop our road and rail infrastructure, which still needs to be improved. In 2016 Wrocław will be European Capital of Culture, and in 2017 we will host World Games. It means that we have to invest into city's culture and sport infrastructure.



Wroclaw has very good infrastructure. Its airport is said to be best in Poland. Also there is a plan for Warsaw-Lodz-Wroclaw fast train connection. Do you think that good connection will enable to attract more investment?

Of course, the quality of infrastructure is one of the key factors taken into consideration by potential investors. The better road, railway and flight connections we establish, the more chances for investors we may have. It is important for manufacturing companies – they need to develop their delivery system – as well as for service companies.

Can you sum up the benefits of organizing Euro 2012 in Wroclaw? How do you plan to use stadium?

Being a host city of the European Football Championships was a big challenge and a great adventure in the same time. Together with other host cities we demonstrated that we are ready to organize big scale events and we are proud of the fantastic atmosphere dominating during the matches.

The brand of Wroclaw has become more recognizable and we can see it in touristic statistics.

Our municipal stadium is being used by our local football team Slask Wroclaw (national champion 2012) and for big events, we also rent conference rooms.

Wroclaw is being considered to be European Capital of Culture of 2016. Can you tell us how do you prepare to compete with other cities and what actions are being made in order to win?

Wroclaw has already been awarded the title of European Capital of Culture in 2016, together with San

Sebastian in Spain. Now we are preparing a number of cultural attractions which will take place during the whole year.

Can you tell us what is the role of “Wroclaw Global Forum” when comes to promoting your city?

Every year Forum brings together important decision-makers and business leaders from the United States and Europe to discuss Central Europe's role as a critical partner in U.S. efforts to promote political, security and economic ties across the Atlantic.

The inaugural WGF in 2010 featured the participation of U.S. Deputy Secretary of State James Steinberg, Admiral James Stavridis, SACEUR, and top ministers and CEOs from the region. Among the featured speakers were: Polish President Bronislaw Komorowski, Polish Foreign Minister Radosław Sikorski, Moldovan Prime Minister Vlad Filat, Alexander Vershbow, U.S. Assistant Secretary of Defense, and U.S. Ambassador Lee Feinstein.

Wroclaw is becoming “the” place for high-end investments and commerce. The increase in attention of international tourism proves that the city is becoming one of the “places to be” in the heart of Europe. Wroclaw Congress Centre - a brand new, high capacity, state-of-the-art conference facility, which sets new standards for conference centers around the world. The Center is situated in the Centennial Hall complex, a UNESCO World Heritage Site. The Wroclaw Global Forum is organized by the City of Wroclaw, the Polish Institute of International Affairs, and the Atlantic Council of the United States.





# Interview

## with Mr. Michał Zaleski



**Mr. Michał Zaleski**

*Mayor of Toruń*



### Why to choose and invest in Toruń?

Toruń focuses on investment. The city will allocate over 430 million zł on investment in 2013. This amount represents more than 38% of its annual budget expenditure. Most of the money will be spent on roads and transportation, including the construction of an impressive road bridge over the Vistula River. There will also be a new sports and cultural facilities, which always favor investment climate and affect the formation of new workplaces in such cities. In addition, Toruń effectively use funds from the European Union, as evidenced by the large number of projects implemented with it's support.

### How Toruń wants to attract investment?

Our main priority is to highlight investment and innovative character of the city. Recently the most dynamic growth concerns shopping centers, hotels and office buildings. Logistics centers of large companies are located there, as well as nationwide wholesale trade headquarters. Toruń is also a city of enterprising people. More than 24 thousand businesses are located here and 412 of these are companies with foreign capital. The Toruń Technology Incubator is under construction. This institution will support business development by facilitating access to new technologies and scientific achievements. It's offer will be directed to start-ups and already existing companies in the IT industry.

### In what areas Toruń is most attractive to investors in your opinion?

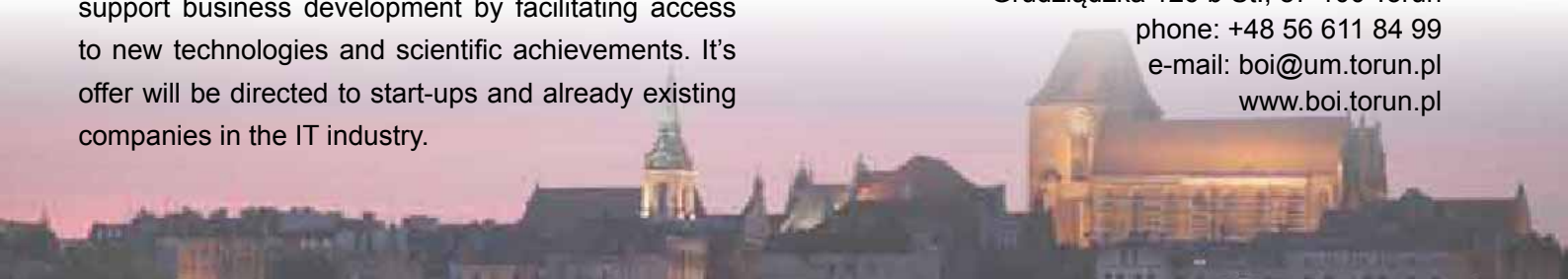
The city supports economic activity in many areas, including: grants tax credits to investors, creates urban investment offer, helps to access to information about the location of the investment and continually introduce facilitates in the official procedure. An important advantage of Toruń is the high quality of the labor market. Toruń with all its advantages is open to projects related to the service sector, culture, tourism, including hotel industry and not harmful to the environment high technology industry. Within the city there are many areas which are suitable for production, logistics and services. With economic ventures, private businesses international contacts and numerous municipal investments, Toruń is now a modern and important center in the region and is one of the most dynamically developing Polish cities.

### Last but not least...

You are cordially invited to Toruń - an attractive place to locate new investments, where the Gothic meets innovation and entrepreneurship.

### **The Investor Assistance Office**

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Grudziądzka 126 b St., 87-100 Toruń  
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e-mail: [boi@um.torun.pl](mailto:boi@um.torun.pl)  
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# Toruń – an attractive place to locate new investments

Toruń is one of the most recognizable cities in Poland. It owes its value to long history, preserved monuments, distinctive people who influenced the creation of the historical and modern image of the city, as well as to a strategic location, and cooperation with the twin cities, abounding in mutual economic relations. Thanks to its location and pro-investment policies of the city authorities Toruń stands out in comparison with other cities with high quality of labor market, modern technical infrastructure and social climate conducive to investment.



Toruń is one of the fastest growing Polish cities. There are special centers of modern technologies here such as: Toruń Technology Park (TTP), where at the beginning of 2013 was opened first data center in Poland - The Exea Data Center. It was design for cloud computing solutions. In addition, there are also many ongoing projects to support the development of entrepreneurship and innovation, and to facilitate the transfer of modern technology. Created in the city Special Economic Zone, which is a part of the Pomeranian Special Economic Zone is certainly the factor that increases investor's interest in Toruń because on this area economic activity can be carried out on preferential terms. Moreover, there is a number of business institutions to support the development of entrepreneurship in the city such as: Toruń Regional Development Agency, the Chamber of Commerce, Toruń Credit Guarantee Fund, Western Pomeranian Regional Fund of Credit Guarantee and the Polish Federation of Engineering Associations. Comprehensive services to investors at all stages of the project and support with the administrative requirements provides Investor Assistance Office which also runs web portal [www.boi.torun.pl](http://www.boi.torun.pl) that easy access to the necessary planning and economic information about the city.

In the time of a strong public deficit and the global economic slowdown, Toruń tries to use alternative instruments to finance public investment. The aim is to achieve the most cost-effective way to create infrastructure and provide municipal services. The result of this search is public-private partnership model (PPP). Currently, the city plans to apply this innovative model of project preparation to implement three projects such as the adaptation of office space in 'Toruń Mills' complex, construction of public housing and renovation of the city swimming pool.



# Interview

## with Mr. Jacek Karnowski

**Mr. Jacek Karnowski**

*President of Sopot*



A big investment will be carried out in Sopot using a public-private partnership (PPP) initiative; Can you briefly describe that project please?

This is our second project using a public-private partnership. After having finished investment in the Haffner Center, it is time to redevelop the Sopot PKP station and revitalize the area around it. The cost of the investment is estimated at 100 million zł. The public entity will contribute to the project with real estate property (which is in perpetual usufruct by PKP SA and owned by the municipality) on which investment will be realized. The payment will be through sale of real estate and transfer to a private partner. Part of the property on which public space will be built will be available to private partner for the duration of the investment.

After commissioning of the railway station works, the private partner will transfer ownership of the railway station to PKP S.A. Implementation of the project will be financed by the private partner without the participation of community. The company has already raised funds, part of the loan comes from Jessica fund, and the remaining part of the loan is taken on a commercial basis. The Baltic Investment Group is committed to design, finance, construct and fully equip the group of buildings in the current railway station and adjacent areas. BGI will be responsible for the maintenance and management of the entire complex for the term specified in the contract.

The proposed buildings complex will consist of:

- The railway station,
- Trade - service and office space,
- Hotel facility,

Whole complex consists of a road system and underground parking. There is also partial covering with a square and parking area for passenger vehicles.

The building will have one underground floor and in the hotel section six floors above. There will be two new public squares of green space and new road infrastructure.

For locals, it is important that the current station - a questionable "postcard" of our city will finally disappear, to be replaced by a modern, highly functional complex of buildings, full of greenery, with a very good transport accessibility, friendly to cyclists and the disabled. Who knows whether or not this complex will be recognized in the future as a being flagship of a modern resort? Tourists who come to us next year will find a building site. However, in order not to impede the use of the train for the residents and visitors to Sopot during construction, temporary ticket offices will be in operation. Container - a sign of the times of large investments has already melted into the urban space.

What is your view on the use of PPP in Poland? Do you think that the government is still "afraid" to meet and work with business, so as not to be accused of unethical activity, corruption etc?

It is worth focussing on the benefits resulting from using public-private partnerships for public entities:

- To relieve the budget by realizing investment funds, making savings in government spending and savings in personnel costs and lower service costs,
- The use of a private entity experience,
- Raising the standard of services, lowering prices and providing better service,
- Innovation,
- Market liberalization and commercialization,
- The responsibility of public authorities for prices and standards,
- Profitability of the project - at the time of completion,



- As a private entity is not required to apply the Public Procurement Act, the whole process of the project is significantly reduced,
- Execution of the project is transparent and independent from politics,

On the other hand the benefit of the Public-Private Partnership for private parties are long-term management fees on operation or rent.

*How can one get rid of this erroneous belief that public relations with business are a bad thing, that often limits development of PPP projects?*

A major barrier to the dissemination of PPP is the fear of potential liability to the public partner. In Poland, privatization and partnership with a private entity – are unfortunately negative words for politicians and journalists, and thus a part of society. Also, Special Forces, law enforcement and state control are not prepared legally or economically for the analysis of complex processes such as PPP.

*What do you think is hampering the development of PPP in Poland?*

In Poland, in contrast to the practice of many countries - in particular the Anglo - Saxon - relatively little use is made of the use of private finance to achieve public goals. I cannot explain this state of affairs by limited experience in this area, the lack of standards or appropriate legal solutions.

One reason is the relative ease in obtaining financial support from the European Union. I know that this position will be controversial, but the explanation for this is very simple: Why resort to complicated ways of raising funds when there is a simpler method: why not mobilize the budgetary resources, in this case from the European Union?

Easier, because although we complain about the Brussels bureaucracy but the preparation of applications for EU funds is much less time consuming and less complicated than for the PPP. Moreover, in recent years, led by a multiplicity of support from EU, we have officials and professionals well versed in writing projects.

Another barrier to the dissemination of PPP in Poland is expensive preparation of the project. In particular, it is the financial and legal analysis, in which a small group of consulting companies specialize, who are often well-known branches of foreign companies. For example, the cost of preparing the Railway Station Revitalization project in Sopot is estimated at over one million zlotys (1.4 million was accounted for half of the PKP station).

Another barrier is also the preparation time for the start of the project, and thus its end. As a rule, the PPP projects exceed the term of office of the authorities. Their effects can be seen a few, or even several years after the start of the procedure. So, for example, from the beginning of the preparations for the construction of the Centre Haffner to opening of the centre over 10 years passed.

Despite the many barriers we expect development of public - private partnership, but only after 2020. At the end of the next period of application for EU aid from 2014 to 2020. Then the procedure for public - private partnership, because of the budget shortfalls will be the only way to implement new tasks by public authorities.

*Let us now turn to the image of the city. Does Sopot currently want to be associated with parties, events, holidays, tourism, or perhaps it is important for the city to attract business?*

Nightlife in Sopot is only a supplement. Let us not forget that Sopot is the resort and that is the branch that we are trying to develop and promote. Sopot is increasingly associated with modern and well-functioning sanatoria, Spa and wellness centers.

It is also a place for meetings, conferences, congresses and symposia, its brand - as the European Forum for New Ideas, or the European Financial Congress. A wide range of conferences and congress in the city are able to meet the expectations of the most demanding. The well-equipped conference rooms, luxury hotels is what creates the atmosphere of the City - the privacy and prestige, is attracting like a magnet to Sopot at any time of the year. Importantly, we were able to fill the investment in Sopot with content. In this building the image of the City, and every guest visiting us, becomes our ambassador.

*What is the position of Sopot in the Tri-City? Do you think the presence of the specific agglomeration facilitates or impedes the positioning of the Polish and international arena. What pluses and minuses does it bring? Does each city care about its personal brand and still work together in order to build a strong Tri-City brand? What is the priority?*

The basis of success is collaboration. It is not worth competing, but together we can do more. Hence the idea of the metropolis arose. We are close neighbors, but strongly differ in character, and these differences are our identity. But there is a field for mutual exchange. Together we go to international markets, together with Gdansk we built the Ergo Arena Gdansk - a multifunctional sports hall, we build roads, and we promote and help each other.



# Interview

## with Mr. Jacek Majchrowski

**Mr. Jacek Majchrowski**

*Mayor of Krakow*



Which goals in the development strategy of the city are currently the most important ones in your opinion? Especially when it comes to competitive and modern economy.

In line with the provisions of the Krakow Development Strategy, the city develops as a centre of competitive and modern economy based on knowledge, and a European metropolis with important scientific, cultural and sports functions. This means that we focus our actions on supporting Krakow's science centre, developing modern technologies, small and medium enterprises and tourism.

Krakow is developing rapidly. Which investments are priorities at the moment?

We have selected four strategic projects among many that contribute to the development of Krakow: "Balice", "Park Rzeki Wisły", "Zabłocie – Płaszów" and the area "Kraków – Wschód : Kraków – Nowa Huta Przyszłości".

The „Balice” project envisages expansion and modernisation of the Balice Airport, its connections with Krakow and the construction of a conference centre, a science and technology park, an exposition centre, hotels, etc.

The „Park Rzeki Wisły” project consists of a series of projects concerning the revitalisation of Vistula river embankments. It contains projects that are of key significance for the establishment of „Salon Miasta” [City Salon] and the development of metropolitan

functions of Krakow such as: the Congress Centre, the Museum of Tadeusz Kantor, the Centre of Music or Zabłocie Embankments.

The „Zabłocie – Płaszów” project envisages a revitalisation of former industrial and railway areas located near the Kraków – Płaszów railway station and neighbouring office and industrial facilities. It envisages measures aimed at developing attractive space with downtown features and atmosphere.

The „Kraków – Wschód: Kraków – Nowa Huta Przyszłości” [„Krakow – East: Krakow – Nowa Huta of the Future”] covers a large area of 5.5 thousand ha in Nowa Huta, near combined ironworks facilities. We intend this area to boost city development, so that Krakow can become a metropolis with a million inhabitants and a developmental leader in this part of Europe. The project envisages the establishment of a business activity zone for modern technologies and services, with simultaneous preservation of green areas and development of residential buildings. The measures are aimed at creating a real eco- and smart district of the city here.

How does the city support the development of entrepreneurship?

City authorities remember well that it is small and medium enterprises that create most jobs in Krakow. Not all aspects of work of entrepreneurs depend on us, but we can support them with a number of measures:

enhancing the City Hall operation as regards, e.g. the provision of services to entrepreneurs, conveniences in the rental policy, assisting protected and endangered industries, taking the developmental needs of companies into consideration in the spatial development policy, the operation of the Entrepreneur Assistance Point and Investor Assistance Centre. The Point allows for dealing with all issues related to the launching and carrying out business activity at one place, and the Centre not only promotes Krakow's economic capacities, but also supports the launch of business activity in Krakow assisting investors in office procedures. Representatives of city authorities, Krakow City Hall and institutions representing entrepreneurs discuss the issue of collaboration on a regular basis at the meetings of the Alliance for Entrepreneurship Development [Porozumienie na Rzecz Rozwoju Przedsiębiorczości] in Krakow, in order to adjust our measures to the actual needs.

[There are plans to build an exhibition and trade fair centre in Krakow. Do you think that it will increase the interest of investors?](#)

I am positive that the EXPO Krakow International Fair and Congress Centre will be an immensely important component of modern Krakow, and that its establishment goes well in line with the „City Development Strategy”. It will definitely expand Krakow's business offer since it will not only attract new investors, but also open new possibilities for the organisation of business meetings. The Centre, located in two connected but independent halls with the total surface of 13 thousand sq. m, will

be modern and multifunctional, which will make it possible to organise almost any event there. Together with the currently constructed Congress Centre, it will enable our city to organise big international meetings, conferences and exhibitions.

[What are the advantages and benefits of investing in Krakow?](#)

Investors that have already opened, or are just about to open their business activity in Krakow pointed out, above all, to well-qualified staff speaking foreign languages. This advantage of our city results from the fact that Krakow is the second academic centre in Poland, following Warsaw, with 23 institutions of higher education, over 100 science and research facilities and institutes, 12 thousand academic staff members, 210 thousand students and 40 thousand graduates a year. The broad offer of office space, telecommunications infrastructure, good road, rail and flight connections with the rest of Poland, Europe and the World, is also of considerable significance. Krakow has also a Special Economic Zone managed by the Krakow Technology Park. The Park provides services for investors covering the acquisition of funds for innovation-friendly activity, as well as the development of projects co-financed with Community funds. Greenfield investments may benefit from a zone established in an area selected by the investor. „Krakow Development Strategy” focuses on the development of collaboration between the world of science, business and local government, which we put into practice in an effective manner. It is worth emphasising that the students of the Warsaw School



of Economics have recently recognised Krakow as the most attractive city for investors in Poland, and the operation of the Investor Assistance Centre has been awarded the maximum amount of points with the use of the „mystery client” methodology. The „City of Krakow” website – [www.krakow.pl](http://www.krakow.pl) –, with information for entrepreneurs and investors in Polish and English, has also been highly evaluated.

[Krakow Technology Park manages Special Economic Zone, which covers the area of 628 ha within the Podkarpackie and Malopolskie Regions. State aid for investment in this SEZ is the highest in Poland. Is it more popular due to this advantage?](#)

The Special Economic Zone in Krakow, offers the top level of state aid, which attracts investors and is used by the Krakow Technology Park for its promotion. I am positive that the amount of state aid has an impact on the decision to apply for a consent to conduct business activity in our Zone, but is not the only reason for the arrival of new investors to Krakow.

[Which sectors attract the most companies to invest in Krakow?](#)

In the last two years, Krakow won a number of new investors, mainly in the area of outsourcing services and highly-specialised accounting, finances, IT, HR, business analytics or R&D services. The companies that opened their centres in the city included: Nokia Siemens Networks, Rolls&Royce, Heineken, Luxoft, Avereast Group and CISCO. Most companies investing in Krakow in this sector announce hiring new employees in the future. The investment report of the United Nations Conference on Trade and Development (UNCTAD) of 2011 clearly stated that Krakow was the best place in the world to locate centres of business services. This highly positive assessment results from the availability of well-qualified workers, friendly business environment and the transparency of Polish law and financial system. This has been confirmed by this year's report of Global Services & Tholons that ranks Krakow as 10th in the world and 1st in East-Central Europe as regards the best location for

modern services. This is also confirmed by raw data – currently, there are over 70 outsourcing companies operating in Krakow, mostly international corporations, which hire 26 thousand employees – several thousand more than in Warsaw and over twice as much as in 2008.

[Krakow is open to the world. How does international cooperation with foreign cities look like and what benefits does it entail?](#)

The city collaborates with 21 partner cities, 4 twin cities, 3 honorary twin cities and 7 other cities without official agreements. These contacts make it possible to promote the culture, tourism or the economy of Krakow in the world and to collaborate on the implementation of EU projects. What is more, it is Krakow that is being increasingly often invited to participate in projects as the leader and expert. International collaboration translates into promotion and strengthening of Krakow's brand in the world. No Polish brand is recognised wider in the world than Krakow. It is not an overstatement to say that Krakow is the best Polish export brand.

[What actions related to the economical promotion of the city are planned for this year?](#)

This year, Krakow will be present during world's largest trade fair events, such as the MIPIM International Real Estate Show for Professionals held in Cannes and EXPO REAL International Trade Fair for Property and Investment held in Munich. The city was also present at the CeBIT International Telecommunication Trade Show 2013 held in Hanover, which served as a meeting of representatives of the IT and digital economy sectors. Krakow will also participate actively in the annual Economic Forum held in Krynica-Zdrój. On a daily basis, the economic and investment-related promotion of the city will be carried out by the Investor Assistance Centre, which assisted over 200 investors last year. This year, I am counting on an even greater number – Krakow is clearly becoming fashionable among companies that consider investing in our country.



# 9th International Congress

# MBA

17-19th May 2013  
Krakow

Quest for talent

The Congress is an unique and the Polish biggest initiative integrating MBA society. We have invited excellent guests from our country and from abroad for the 9th MBA Congress.

This year's edition of the International MBA Congress will be held under theme "Quest for talents".

It's topics will focus inter alia on the success of the companies as a result of maximal use of potential resides within talented managers and workers. It is a main factor of success, especially in the times of strong position of Poland as destination for many global corporations to outsource their services, which more and more includes research, development and innovations.

Core part of the Congress program is going to include presentations of outstanding specialists from the business world and its main elements are going to be organized around four discussion panels:

## World Panel

*Arabic countries- business on the highest level*

## Polish Panel

*Where will outsourcing lead our country?*

## Management Panel

*Quest for talents*

## Innovation Panel

*Innovations in processes*

Additionally:

Study Visits,

Cultural, language and business etiquette workshops

Gala evening connected with charity auction,

Informal MBA evening

Golf tournament

We very much hope that the Congress program, coupled with the opportunity to engage with high profile participants and institutions will encourage everyone to take part in this unusual event.

[www.kongresmba.pl](http://www.kongresmba.pl)

# Interview

## with Mr. Piotr Grzymowicz

**Mr. Piotr Grzymowicz**

*Mayor of Olsztyn*



Olsztyn is celebrating the 660th anniversary of its civic rights and it is the regional center of development. What is the role of Olsztyn as an important stimulator of changes in the economic sphere?

This autumn it will be 660 years from the time that Olsztyn received the location privilege given by the Cathedral Chapter of Warmia. The city became the seat of the territorial rulers of the Chapter and local economic center. Today Olsztyn, as the capital of the region, develops its administrative functions as well as economic, educational, scientific and cultural activities. All these factors have a significant influence on the direction of development of our city but also of its near and far surroundings. A few years ago development activities of Olsztyn were focus on its own administrative territory. Nowadays processes that determine the development are crossing administrative boundaries. Form the Europe's and even Polish perspective we

are not looking at each municipality individually but we consider it collectively as the "region". Active cooperation using a common potential of Olsztyn and neighboring communities will contribute to our image of an important center supporting regional development processes. We want to be a source of stimulus for the development of surrounding cities and municipalities. We are confident that the results of our colaboration with partners from Olsztyn's agglomeration area will serve as a model of good practice for other local governments from Warmia and Mazury region.

Construction of the Olsztyn bypass is undoubtedly the most awaited development project in the region. Is there a chance to start it in 2013? What economic benefits it will bring to the city? Do you think that the bypass will increase investors interest in the region and the city?



We are aware of and deeply convinced that the limited availability of communication is a major factor hindering economic development in the region. The project of Olsztyn bypass is ready for a few years now. Inhabitants believe that concern for the natural values of the region prevent the intensification of our economic development is grow in in the past 20 years. However, without economic growth the region will not generate funds, including those for environmental protection. Without increasing the availability of transport and communication, in particular the construction of the Olsztyn bypass, the chances for favorable economic developments remain insignificant. Olsztyn is the last regional city which does not have its bypass yet. We do believe that officials from relevant ministries will understand that logic in a short time. Otherwise, they will continue to focus their activities on environmental protection which, after all, should be the object of activities of the hosts of this region. We take all possible actions to increase the chance for the construction of the Olsztyn bypass.

**Olsztyn Science and Technology Park is under construction. At what stage is this project now and when the Park is expected to start operating? What are its main objectives?**

We have high hopes of starting Olsztyn Science and Technology Park. Its organizational formula will combine the package of offers and solutions containing the necessary ingredients to conduct creative and scientific processes which's input will be a thought processed in the lab, and the output will be specific segments of the market. Four kilometers away from the city center, on the Science and Technology Park, the construction of six buildings with a total area of over 13 thousand m<sup>2</sup> dedicated to business incubator for starting-up innovative companies, technology transfer center with laboratory space and equipment. There will also be a conference and office building for headquarters of the Park with additional rooms for trainings, conferences or exhibitions. There will also be a place for different institutions providing business services such as advisory and consulting companies,



promotion, accounting, training, insurance, consulting and patent certification and many others. Land reserves will allow to built a new infrastructure and technical and scientific base for the Institute of Animal Reproduction and Food Research of the Polish Academy of Sciencee nearby the Pakr in recent time. Thereupon, a strong complex of research institutions focused on a commercial exploitation of knowledge will rise in one place. This will enhance significantly the impact of science on innovation of Olsztyn's economy. We plan to start operating the Science and Technology Park on 20 September 2013 and the recruitment of the future users of the Park is in progress.

**How Warmia and Mazury Special Economic Zone contributes to the development of entrepreneurship in your city?**

The Warmia and Mazury Special Economic Zone, especially in the context of a near start-up of Science and Technology Park, affects positively our economic plans. The number of companies operating in Zone aera is steadily incrising thanks to the fiscal system instruments that our Special Economic Zone offers. It is now close to 60 operators who have invested more than 3 billion zlotys and created more than 8,000 jobs. Nearly 50 hectares of land provided for the Industrial Park will create both the GDP growth generated in the greater Olsztyn and also will generate new workplaces.



# Interview

## with Mr. Krzysztof Matyjaszczyk



**Mr. Krzysztof Matyjaszczyk**  
*Mayor of Częstochowa*



**Częstochowa – 13-largest city in Poland; one of the biggest centres of religious cult in the Christian world; visited each year by 4 million tourists and pilgrims; an important academic and economic centre, ideally located on the transport map of Europe, with three international airports (at a distance of 50 and 120 km) and a rich cultural and entertainment offer. According to a survey conducted by Young&Rubicam - a place which is most credible in Poland and also very safe. CZĘSTOCHOWA, it's clear!**

**Why an entrepreneur who would like to invest in Poland should choose Częstochowa?**

Because it is one of the most recognizable Polish cities in the world, because of its great location – not only at the heart of the country but also in the centre of the whole continent, it is here where transport roots from North to South and East to West cross; because the city has got perfectly qualified human resources, good employees, citizens who are open to the world and ...a cool mayor. Our friendliness towards investors is clearly visible through the latest resolutions of the City Council thanks to which investors are exempt from property tax just because they create new work places.

Regulations in Częstochowa belong to the most favourable in Poland.

An independent ranking of investment attractiveness among voivodeships and sub-regions prepared by the Institute of Research on Market Economics shows that the subregion of Częstochowa when it comes to investment attractiveness went up from 18th place in the country (in 2011) to 6th place (in 2012). We are also at the forefront among subregions which are a good place for development of services.

**Well prepared and connected areas are a magnet for investors.**

We have got more and more of those areas. Some of them are a property of the city (about 65 hectares), some belong to the state – Operator ARP LLC (150 hectares) and Regional Economic Fund Inc. (15 hectares), RSP “Rzasa” next to the DK-1 (100 hectares) or to Elanex (10 hectares). A more detailed information can be found on our website [www.czestochowa.pl](http://www.czestochowa.pl) under Dla inwestora (for investor).

The enlargement of the Katowice Special Economic Zone's branch in Częstochowa also brings some hope. We are now active in the case of the so called “Skorki” and “Kusięcka” investment areas. We received means from the Regional Operational Programme of the Silesia Voivodeship (almost 7 million zloty) for the “Skorki” investment area. The area will be serviced, there will be driveways created as well as the power connections, water supply, sewerage – all dedicated to industrial activity. Real estate located near Kusięcka Street is also very attractive. Some parts of it are used by an American consortium TRW, there are also sites belonging to the “Częstochowa Steelworks” in the neighbourhood. This area of economic activity is fully

serviced and not burdened with any environmental issues. We regard “Kusięcka” investment area as a supplement to this zone which is of 200 hectares and fully prepared for the needs of heavy industry. This area will be serviced with the use of our own means.

#### What kind of investments Częstochowa waits for?

Most of all those which will ensure creation of new jobs. Investors can count on a young, well-educated staff. The graduates of Częstochowa University of Technology, which is in the 27th place among 50 best Universities in the country, are the most sought after by employers. Our investment areas- not only those belonging to the city- are very popular. There is a local investor who decided to build a Sport Park in Częstochowa. A park of miniatures and recreation was created on the “Złota Góra” Mountain. IKEA has bought land for investment and will help to finance a road system in the northern part of the city. There are also investors interested in real estate in the centre of the city, next to its main artery – the Holy Mary Avenue 49 and around the City Art Gallery.

#### How does Częstochowa manage in the times of economic crisis?

We notice with appreciation that Częstochowa local business despite the difficult situation does not stop to invest in development. Zarmen Company is now building a modern coking; Stolze Glassworks develops fine. Dospel – a leader in ventilation industry, has introduced a new offer of energy-efficient homes. X-kom, a company selling IT equipment has a visible growth, some outsourcing companies declare staff enlargement. The city also implements a lot of important investments among which some are financed with the help of Euro-funds.

#### What are the most spectacular city investments?

As I mentioned earlier the most important to me is the preparation of land for future investments and jobs for

people who live here. Those ones connected with the development of public transport, sports and cultural facilities are also of great importance. It is for sure the revitalisation of the main artery of the city, construction of road junctions with DK-1 or the next phase of the so called “North corridor”...

Among the most important investment tasks which were recently co-financed by the European Union's funds we have to mention the construction of a new tram line, purchase of new trams of Twist type (designed specially for us by the PESA Company from Bydgoszcz), expansion and modernization of Częstochowa Philharmonic Hall, construction of the Sports and Entertainment Hall where over 7 thousand people can spend their time, revitalisation of the central artery of the city – The Holy Mary Avenue, construction of DK-1 junction with Makuszyńskiego Street, reconstruction of roads leading to areas of economic activity, construction of the so called “Northern corridor”, a very important road for the city's communication system. In a moment we will start a huge road task- construction of a viaduct over an intersection of John Paul II Avenue and DK-1. We also have some expectations on receiving means for reconstruction of the Warszawska Street and expansion of the DK-91 with DK-1 junction.

Partner's credibility is crucial for investors especially in these times which are not easy for the European economy ...

As one of a few big cities in Poland we pass each year a procedure of evaluation of our financial credibility on international markets. The BBB rate issued by Fitch Ratings is an evidence of Częstochowa's stable development perspective and financial security.

So if you want to invest money somewhere...

Częstochowa, it's clear!

**[www.czestochowa.pl](http://www.czestochowa.pl)**



UNIA EUROPEJSKA  
EUROPEJSKI FUNDUSZ  
ROZWOJU REGIONALNEGO



# Interview

**with Mr. Piotr Jedliński**

*Mayor of Koszalin*

## Port Koszalin



**How would you place Koszalin on the map of Poland?**

It depends on what kind of map: physical, economic, sports or cultural map of Poland. The most appropriate is to say that Koszalin is an outstanding city in the center of the Polish coast.

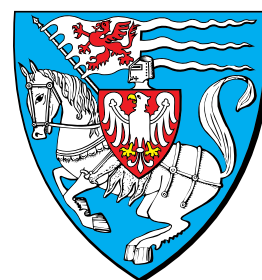
It stands out in many areas - for

example, we are one of the few Polish cities with population of approximately 100 000 which has its own theater and concert hall and the level of Koszalin's education is one of the highest in our country. These advantages of Koszalin are directly connected with the business. There is something more than work in our life after all. An interesting cultural offer and attractive surrounding areas like the sea, a clean environment, numerous lakes and vast forests are the perfect entourage for an interesting leisure time. The opportunities for children are also important. Offer of our schools is very wide. We also provide a number of extra-curricular activities and we have educational results on a high level.

In my opinion, these aspects are very important to decide where to settle down because most of cities offer incentives to investors and enjoy a business-friendly titles so it ceases to be a prime issue.

Although we have a lot to offer in this aspect - a special economic zone with a number of facilities, in which many companies placed their investments, including foreign high-end hi-tech manufacturing.

Businessman would not stay for long in Koszalin if not prevalent good climate for business in our city. If a company decides to invest here, we help them and led them through the meanders of our specific economy to acclimatise as soon as possible. And what is most important to us – that the companies feel good in Koszalin.



**What are the challenges and the major projects planned for 2013?**

I am convinced that only a few people outside of our region are aware that Koszalin is just a few kilometers from the Baltic Sea, and in medieval times was one of the Hanseatic cities, which were closely co-operating trade centers that gained great profits from this collaboration. We return to this tradition - a few years ago we joined two villages bordering the lake Jamno to Koszalin, which gives us a direct access to the sea.

Jamno is connected with the Baltic by a channel, now reconstructed and deepened so the sailing ships could swim to the waters of the lake. Therefore, soon we will start to build a special marina so the ships will be able to dock in Koszalin. Now visitors can use the water tram, which carries them from Koszalin to the Baltic coast.

We are trying to develop to the north to form the Baltic axis so the city will become The Port Koszalin not only by the name. This summer we plan to create a lake on the outskirts of the city where people can enjoy water sports and relax on the beach. We have also started the construction of the water park. It will be open next year.

Of course we also need new roads for the city to function well. That is why we are building ring around Koszalin. Value of the investment amounts to 100 million zloty and it will move the transit traffic form the city center to its surroundings. It will be ready next year. We are also working on the project of the large bypass of Koszalin which will facilitate the transit traffic even more and improve communication.

The new building of Koszalin Philharmonic will be opened in September. Beyond great acoustics it will attract with its interesting shape of the building that will look like a piano. We also have a project of revitalization of the town square which will change the image of the city center.



# Koszalin - an attractive place to invest in

Koszalin is a dynamically developing economic center, located in the north-west part of Poland, over one of the biggest lakes in Poland - the Jamno Lake, which is connected with the Baltic Sea.

## Benefits of investing in Koszalin :

- improved investment lands (starting from 2.000m<sup>2</sup>) in the „Koszalin” Subzone of the Słupsk Special Economic Zone,
- attractive investment plots of land designated for the construction of hotels and for services, trade, production, recreational, sports and gastronomic purposes,
- presence of the Technological Park,
- developed technical infrastructure,
- tax exemptions and preferences within both the city area and the economic zone,
- constant contact with an investor,
- well qualified future staff and low work costs,
- investment-friendly atmosphere and countless international contacts,
- investment process assistance,
- professional and efficient investors service.



The city of Koszalin offers attractive investment lands equipped with utilities of approximately 68 hectares located in the “Koszalin” Subzone of the Słupsk Special Economic Zone (SSSE) under attractive conditions. The lands are designated for the building of production plants and logistics centers as well as for BPO investments.

An entrepreneur who has been granted the permit for business activity in the zone is exempted from the CIT income tax up to 60%, depending on the size of the company. He is also exempted from the local real estate, lands, buildings and constructions tax by the rule of de minimis (up to 200 thousand Euro).



## „Koszalin Subzone” Słupsk SEZ investment assets

- Perfect location and transport accesibility in the vicinity of national routes No 6 (Szczecin - Gdańsk) and No 11 (Kołobrzeg – Poznań – Górny Śląsk) near planed motorways no S6 and no S11 junction.
- Full technical infrastructure water, rain, sewage, electrical energy and natural gas (large capacity). In implementation project co-financed from RPO WZ 2007-2013 valued: 79,8 mln zł (EU funds co-financing: 39,9 mln zł)
- Zoning in local spatial development plan: industrial production, logistic & arehouse centers. No investment obstacles. Allowed built-up area: up to 75%, max. height up to 25 m.
- Plots division according to investor's needs which means large savings. Min. plot area from 0,2 ha.
- Friendly climate and numerous international contacts permanent contact with investor till launching plant.
- Preferences and tax incentives.
- Qualified professional staff.

## WELCOME TO KOSZALIN

### Contact:

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##### Mayor of Koszalin

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Koszalin” Subzone of the Słupsk Special Economic Zone

More information is available at [www.koszalin.pl](http://www.koszalin.pl) and [www.inwestycje.koszalin.pl](http://www.inwestycje.koszalin.pl)





## the perfect location for business

**Mr. Waldemar Miśko**

*Mayor of Karlino*



Karlino is a very dynamic and investment-oriented community located in the north-eastern part of the Province of West Pomerania at the intersection of national road No. 6 Szczecin - Gdańsk and road No. 163 Kolobrzeg - Poznan. The small distance from the Baltic Sea (28 km - the sea port of Kolobrzeg) is another advantage. All this makes Karlino attractive not only for tourists but also for potential investors.



### Mr. Mayor, can one benefit from investing in Karlino?

- Karlino county has a **wide offer of grounds** for both investment and related to tourism projects. **In our offer you can find plots of land the area of approximately from 2500 m<sup>2</sup> to 180 ha, which makes us prepared for just about every investor.** The plots of land are located **along major transportation routes**, in industrial zones and are **equipped in all available media**. The grounds in the economic zone have **current development plans**. In Karlino **it is possible to divide the plots according to the needs of potential investors**, we are very flexible in this respect and this is what makes our offer so special.

### The Economic Zone certainly provides tangible benefits for investors

- In Karlino two Special Economic Zones, i.e. the Kostrzyn - Słubice and the Słupsk zones, operate in parallel. It is a very unique situation which allows us to provide investors with a large area grounds with the status of Special Economic Zone.

An entrepreneur operating in the Special Economic Zone in Karlino can benefit from the **income tax exemption up to the amount of 60% of the investment value or two-year labor costs**. Illustrating this in numbers **each million of Polish Zlotys** spent for investments allows for up to 600 000 Polish Zlotys exemption from income tax, which **means about**





**3.2 million of exempted income.** The said exemption refers to small businesses, and for medium size businesses the exemption is 50%, whereas for large entities it is 40%. However, even for large companies it still is more than 2 million of exempted income.

I would like to underline the fact that the **economic zone is not only for large companies** (which is a commonly mistaken opinion), because an **investment of 100 000 Euro may also be entitled to exemptions.** This is the minimum threshold, required to obtain a license to operate in the Special Economic Zone.

Entrepreneurs in Karłino can also count on **local tax exemptions** within the framework of the de minimis aid **for up to 7 years.** We are doing our utmost to provide investors and growing local businesses with the best possible operating conditions, that's why entrepreneurs can also count on the **support and commitment** of the local government staff as well as my own **at any stage of the investment.**

#### Are there any actions taken to make the area even more attractive?

- Yes, all the actions that the County has taken for many years have successively made our offer more attractive. **At present we are implementing the project „Servicing investment areas including: the construction of roads to Kostrzyn-Słubice Special Economic Zone”, which is co-financed by the European Union from the European Regional Development Fund under the Regional Operational Programme for the Province of West Pomerania for the years 2007-2013**

The main objective of the project is to improve the conditions for economic activity for companies operating within the K-SSSE sub zone as well as to create conditions for new investments. This was achieved by the construction of access roads to investment grounds and the liquidation of the existing conflicts in the form of power lines and pipelines.

The access roads built directly into the investment area have been designed as heavy duty roads to meet the needs of heavy transport, so an investor can immediately start on his investment. We have already built an access road with lighting in Complex IIIA, located near national road no 6 and in Complex II, by the provincial road 163, but also all the collisions were eliminated.



**One final question, it is obvious that investors are invited to Karłino, however, what investments shall be most welcome in the Commune of Karłino?**

- **We are open to all kinds of investments - our offer is very diverse, which allows us to have such an approach.** We have areas for small businesses that employ from a few to several dozen people, as well as for large ones, which employ up to several hundred people. We have an offer for everyone. **Feel free to contact me directly in order to choose the grounds that shall best meet your requirements.**

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of Westpomeranian Region



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REGIONAL PROGRAMME  
NATIONAL COHESION STRATEGY



Westpomeranian Region

EUROPEAN UNION  
EUROPEAN REGIONAL  
DEVELOPMENT FUND





# Interview

## with Mr. Andrzej Szczepocki

**Mr. Andrzej Szczepocki**

*President of the Kleszczów Borough  
Development Foundation*



**When and for which purposes was the Kleszczów Borough Development Foundation established and what are its objectives?**

The Kleszczów Borough Development Foundation was founded as a response to the need of defining the Kleszczów's further development direction, considering two most important aspects, which were crucial those times. In 1990, an act came in force, as a result of which the boroughs became beneficiaries of a part of property taxes. The other aspect was lignite. This is our most valuable asset, which will expire in 2015. So taking into consideration these two factors, after several years of unsuccessful government in the borough after 1990, we established a foundation, which started to develop the Borough Development Strategy until 2015. Headed by professor Czyżewski from Poznań and at the active participation of the local community, in 1998 the Borough Council adopted the Borough Development Strategy, the main assumption of which was the industrial development. And the main political objective of this strategy is the slogan: „Wealth of the Borough, wealth of its inhabitants”. In order to attain this objective we organise the commune in a manner, which enables us to create lively, enterprising community, reach with the activity and wealth of its inhabitants. Such an approach allows stable and

sustainable growth for the upcoming years and high living standard of our inhabitants. In this period, we created three new industrial zones which host several companies on the area of over 600 hectares. Over 20 companies built in this period their factories, which use the most recent technologies. This way over 2000 new working places in manufacturing were created. It is estimated, that one place in manufacturing generates about 3 places in the services, so the calculation is very simple here. Everyday, we develop new ideas for projects forming the borough future, as roads, railway, gas and power supplies. We are preparing land and manage industrial zones. We are searching form investors for these zones through promotion of the investment offer. We train professionals. For those, who intend to start their business and need a loan, we have our loan guarantee fund.

**What are the main strengths and investment incentives in Kleszczów?**

Every investor comes with own preferences, if he is searching for location for his company. I think, that we are very attractive for investors planning their location in the central part of Poland. We have cheap (PLN 5.00 per one sq m) lands in industrial zones, fully developed, with all utilities and own power right from

the power station at competitive prices, property tax exemption for 3 to 10 years. The Foundation offers investors legal help and assists at the formalities. Now we have about 300 hectares in the industrial zones, ready for investors. The borough pays much attention to leisure and entertainment investments. Perfect recreation, cultural and sports conditions encourage many people from neighbouring cities to spend their free time here.

**Which companies invested in Kleszczów and which areas they represent?**

From the very beginning we wanted to win investor representing different areas. Our development so far has been based on power and construction industry. Since then, we have developed construction industry based on wastes from the power station desulphurisation by-product, which is gypsum. It is similar in case of construction materials from dried sand. In this period, investors from different industries built their factories: packagings, food, cosmetics, chemistry, metallurgy and recycling.

**What are the challenges and main projects in Kleszczów, scheduled for 2014?**

There are many business challenges for Kleszczów to face to meet the requirements and keep the development pace. In 2013 and following years, we

have to focus on development and modernisation of our commune infrastructure, e.g. roads, high pressure gas, railway, planes, and telecommunication. Geothermal water is also an important direction. We made two boreholes with hot saline water, and on this basis we are developing designs of swimming pools and rehabilitation base. The programme of use of geothermal water will increase attractiveness of Solpark, the leisure complex, which already has an interesting offer of leisure activities. So we have lots to do!

**What, in your opinion, is the biggest success of the Foundation?**

The thing which is making me most happy is to see the dynamic growth everyday and watch new investors building their factories. The final result of our effort are new working places, which determine development of many areas of our economy. Owing to our activity, the borough received many state and local government awards and the Foundation is recognized both in the country and abroad and known for many innovative projects. We are the honourable patron of Dziennik Łódzki (local, province newspaper) and we received an award in the Golden Engineer contest from the readers of „Przegląd techniczny” which is a source of my personal satisfaction.



**Kleszczów Borough Development Foundation**

**Sportowa 3, St**

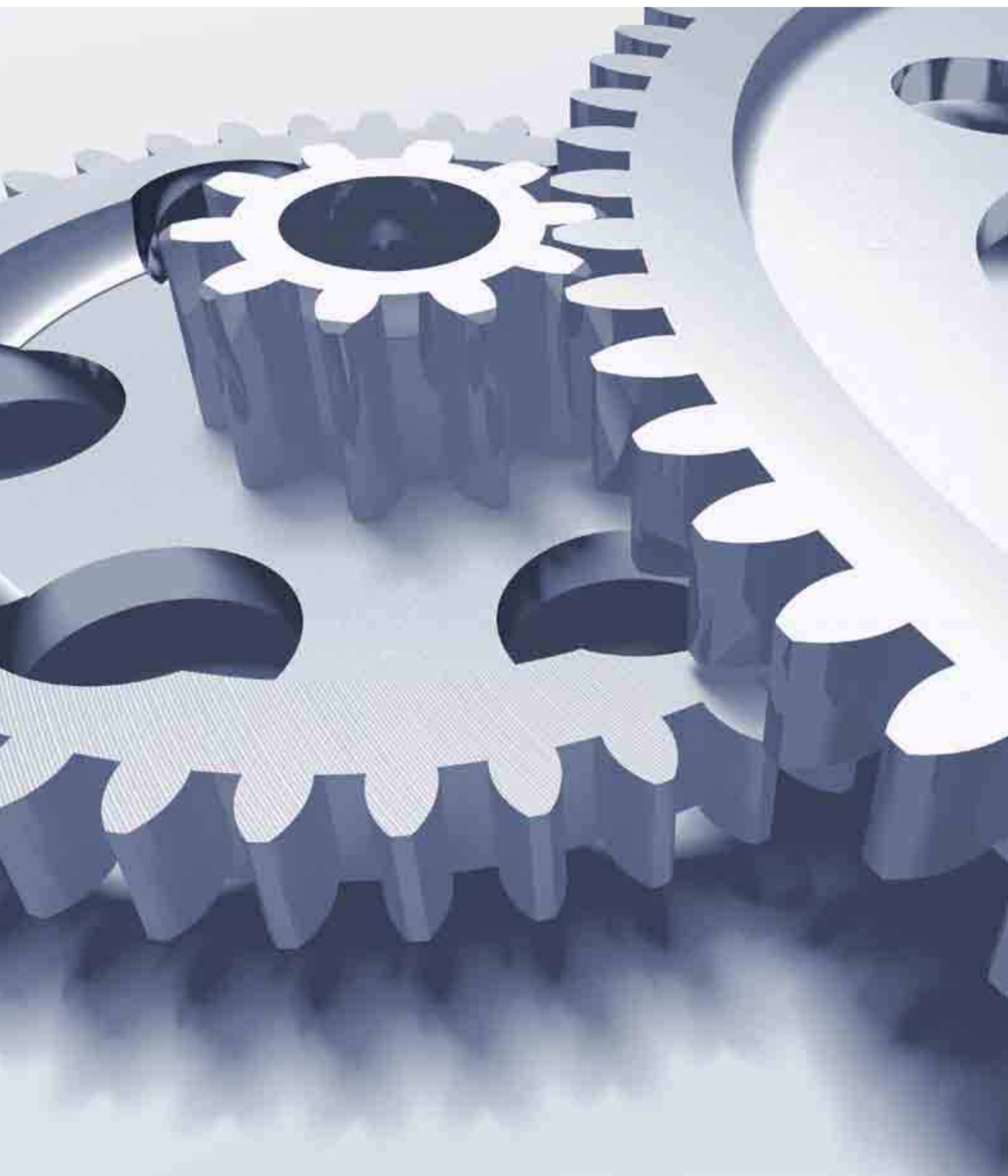
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# Special Economic Zones



# Special Economic Zones beyond 2020

Analysis of current activities and outlook for their existence

**Mr. Paweł Tynel**

*Executive Director Ernst & Young*



More than 15 years have already passed since the establishment of Special Economic Zones (SEZ) in Poland. During this period, the zones have become a part of the landscape of business for good and it is difficult to find a large investment project today which is not located in one of them.

The popularity of the zones is based on the simplicity and effectiveness of the tool being the corporate income tax exemption for businesses. When looking for a site for a new project, investors currently search dozens of countries and hundreds of sites with a view to specifying the optimal place for doing business from their point of view.

At present, Polish SEZs are already losing their appeal – despite the perspective of their existence for over 7 more years, until the end of 2020.

Tax relief is very widely used in the industrial policy of many countries as a means of promoting new investments. It is not only granted by developing countries competing for the inflow of foreign investments, but also developed countries. Therefore, it appears that abandoning this instrument of support in Poland could jeopardize the maintenance of the high assessment of our country among foreign investors in the future. Therefore, Polish governmental administration has already performed activities related to solving this issue.

Empirical studies clearly indicate a positive correlation

between the amount of state aid (including in the form of tax relief) and the level of investment in the country.

In discussions with investors, however, we have been observing the noticeable trend that the tax exemption within the SEZ is getting less important in the process of selecting sites. This has arisen from the fact that, given the high investment costs, investment projects lasting several years and market pressure reducing profitability in many industries, the effective time for taking advantage of the exemption sometimes becomes shortened to 3 years before 2020, namely the current expiry date of SEZs.

In view of the above, we decided to prepare a document – Special Economic Zones beyond 2020 – which would constitute material for conducting a substantive evaluation of the activities to date in the zones in Poland. It should also constitute the foundation of a substantive discussion on the outlook for their existence.

Special economic zones have been operating in Poland since 1995 and, so far, have contributed to the achievement of the following results (as of 31 December 2011):

Value of investments made in PLN million	New jobs	Retained jobs
79 700	183 000	59 000

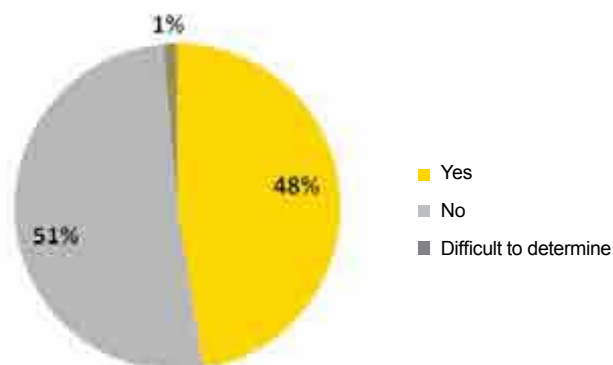
In the Report we conducted an econometric analysis on the impact of SEZs in Poland on business results, which confirms the consequences known intuitively. Wherever zones exist, there is a higher level of investment, lower unemployment and higher levels of GDP per capita than in regions where the zones do not exist.

- The rate of unemployment in regions where zones operate is an average of 1.5 to 2.8 percentage points lower in the case of sub-regions and 2.3 to 2.9 percentage points lower in the case of counties.
- The level of GDP per capita is an average of approximately PLN 1300 to 2500 higher in the

sub-regions in which zones operate than in other sub-regions. This means that the sub-region where the zone is located has a 3.9% to 7.5% higher GDP per capita (in 2008) than the average GDP per capita in Poland in other sub-regions.

For the purposes of the Report we conducted also a comprehensive survey among investors in zones, which gives a clear signal that without the extension of the lifetime of the zones, reinvestment by more than half the companies operating in SEZs cannot be expected. The picture changes dramatically if the perspective of the existence of SEZs is extended – in such a case, as many as more than 81% of investors declare a willingness to re-invest in Poland.

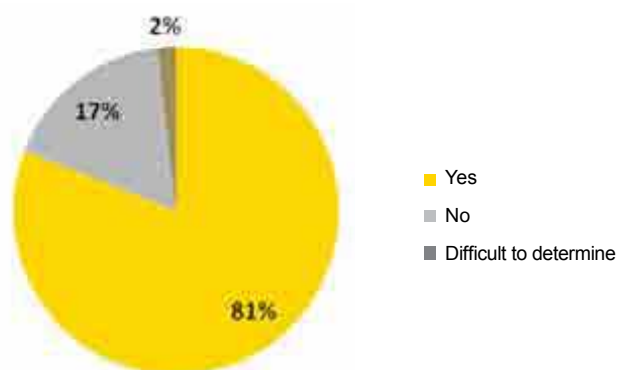
Taking into consideration the fact that SEZ will exist until 2020, do you plan a new investment in your zone?



The initial assumption regarding the establishment of the SEZs was the increase in investments and economic recovery in selected locations. Over time, zones arose throughout Poland, the result of which was the adjustment of the regulations to the needs of the investors.

In a way, apart from their main activity, zones became a natural platform for the creation of connections with contractors, which, in the long term, could take on the form of clusters, creating a completely new role for the SEZs in the economy. However, this requires time, but also funds to support the development of such connections.

Would you consider a new investment in SEZ, if it turns out that SEZ will exist beyond 2020?



Very many aspects are considered in the process of choosing the site for an investment. State aid is one of these and it is natural that the most desirable form of aid will always be a cash grant, although an exemption from corporate income tax is a very concrete alternative.

The existence of zones and the ability to obtain tax exemptions do not constitute the sole criterion for the location of an investment. Their absence or inability to actually take advantage of tax exemptions significantly obstructs the attraction of new investors. It could also be the reason for the reduction in the level of reinvestment of entities currently operating in the



zones, which, in turn, could result in Poland giving away its leading position in the region in the area of investment attractiveness.

The further functioning of SEZs after 2020 should not give rise to doubts on the part of the European Commission, under the assumption that the zones still fit into the framework of the Community regional policy, while the zonal regulations are consistent with the Community rules on regional aid.

Given the fact that the European Commission is not involved in the process of extending the period of operation of SEZs in Poland and that we shall have to wait for funding from the new EU budget, it is very reasonable to conduct a legislative procedure extending the lifetime of the SEZs as soon as possible.

The recommendation given in our report was to consider an indefinite extension of the period of operation of the SEZs in Poland. Certainly with permits to operate in a given SEZ for a limited period of time (e.g. 15 or 20

years depending on the location). At present the idea of the Ministry of Economy is to extend the lifetime of SEZs until the end of 2026 – i.e. next budgetary perspective of EU. Such an amendment may be a good temporary solution. It would extend the perspective of investors as of now, give them another 6 years to compute CIT exemption and make it count in their site selection process. At the same time, it would not solve the issue entirely, but rather postpone – by couple of years – the need for further amendments. And such time would be a perfect occasion to elaborate more comprehensive solution. As a result, Poland shall have a tool which could realistically and specifically attract new investments to Poland. After all, we have concrete evidence of the benefits of this process.

*For more go to:*

<http://sse2020.e-publish.pl/>

[www.ey.com/.pl](http://www.ey.com/.pl)







### **Mr. Tomasz Sadzyński**

*President of the Management Board  
of Lodz Special Economic Zone*

Our most important task is to attract investors, who will create new workplaces. During more than 15 years in the Lodz Special Economic Zone, 218 permits for business activities have been issued and investments to a total value of nearly PLN 10 bn have been created. As a result, nearly 26 thousand workplaces have been created. This has enabled us to attract international companies using modern technology, mainly to the Region of Lodz but also to Mazovia and Greater Poland. These companies include Procter&Gamble, Amcor, BSH, Indesit, ABB, Clariant, and Dell. The zone has also enabled the development of large Polish companies, such as Ceramika Paradyż, Ericpol, Atlas, Aflofarm, and Ceramika Tubądzin.

However, the recession and high levels of competition (according to an Ernst&Young report, there are app. three thousand various special zones in the world) force us to be very pro-active. We have already succeeded in bringing to fruition several ideas which have helped us to stand out against the crowd. For these, Lodz SEZ team deserves full credit. We would also like to thank our local government and business partners.

Firstly, we are expanding our grounds for investments. We have managed to win EU subsidies for two infrastructural projects, one in Lodz in Telefoniczna St. and the other in Lućmierz near Zgierz. The total value of the investments is nearly PLN 14 M; the EU subsidies total over PLN 5 M.

We are also introducing new e-promotion tools. These include a map of Lodz SEZ investment sites (<http://mapa.sse.lodz.pl/>). We have also started supplying agency services in trade with commercial properties located outside Lodz SEZ ([www.posrednictwo.sse.lodz.pl](http://www.posrednictwo.sse.lodz.pl)).

We have intensified our promotional activities in Germany. Thanks to the first EU project in the history of Lodz

SEZ ("Region Lodz – Business Zone Made to Measure" – EU subsidy of PLN 680,000), Lodz SEZ took part in Expo Real in Munich, Maritim Festival in Bremen, Osteuropa Wirtschaftstag conference in Berlin, and many other events. In addition to this, advertisements were broadcast on Deutsche Welle TV and published in Passauer Neue Presse, a regional Bavarian daily.

We would also like to diversify and increase the income of the Company. In the first part of 2013, we are planning to open the renovated 19th-century Ludwik Grohman's factory on the premises of Lodz Special Economic Zone in Lodz. The building will contain modern office spaces for lease (over 1,200 sq. m.), a conference room for 250 people, and offices of the Zone.

We are still convincing other people that we are more competitive for conducting business than other locations in the world. Therefore, it is worth joining Lodz SEZ, i.e. obtaining a permit, despite any uncertainties concerning the extension of the SEZ period after 2020. If relevant regulations extending the SEZ period come into existence in the next 1-2 years after all, traders will be able to use the aid also after 2020.

We are proud that, for four years, Lodz SEZ has been one of the economic zones in Poland which, according to KPMG reports from 2009-2012, receives the best notes from investors. According to the fDi Magazine report (Financial Times Group) "Global Free Zones of the Future 2012/2013", Lodz SEZ has taken 3rd place in Europe and 18th place among economic zones throughout the world. According to a different ranking of the same British prestigious bimonthly, i.e. "Digital Marketing Awards 2012", Lodz Special Economic Zone took 1st place in Europe and the 4th place in the world overall in the category of economic zones.



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SPECIAL  
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ZONE



Polska



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The Region of Lodz invites new investors

## FOR INVESTORS

So far we have issued 218 business permits. Renowned international companies such as Dell, ABB, P&G, Gillette, BSH and Amcor have already decided to make their investments in our region. Our team guarantees a top quality professional service.

## FOR EXPERTS

We have been recognized in the following prestigious rankings:

**KPMG**

– one of the Special Economic Zones highest rated by investors in 2009-2012

**fDi Magazine (Financial Times Group), Global Free Zones of the Future 2012/2013**

– 3<sup>rd</sup> zone in Europe and 18<sup>th</sup> in the world

**fDi Magazine (Financial Times Group), Digital Marketing Awards 2012**

– Best zone in Europe and 4<sup>th</sup> in the world

**The Quality of the Year 2011, 2012**

– winner of the biggest quality contest in Poland

## FOR THE REGION

Investors in Lodz Special Economic Zone have created 26 thousand new workplaces and invested over PLN 9.8 billion in our region.

## FOR CULTURE

The *Art Zone* stimulates and supports local cultural initiatives.

## FOR EDUCATION

The *Education Zone* supports higher and vocational education in the Region of Lodz.

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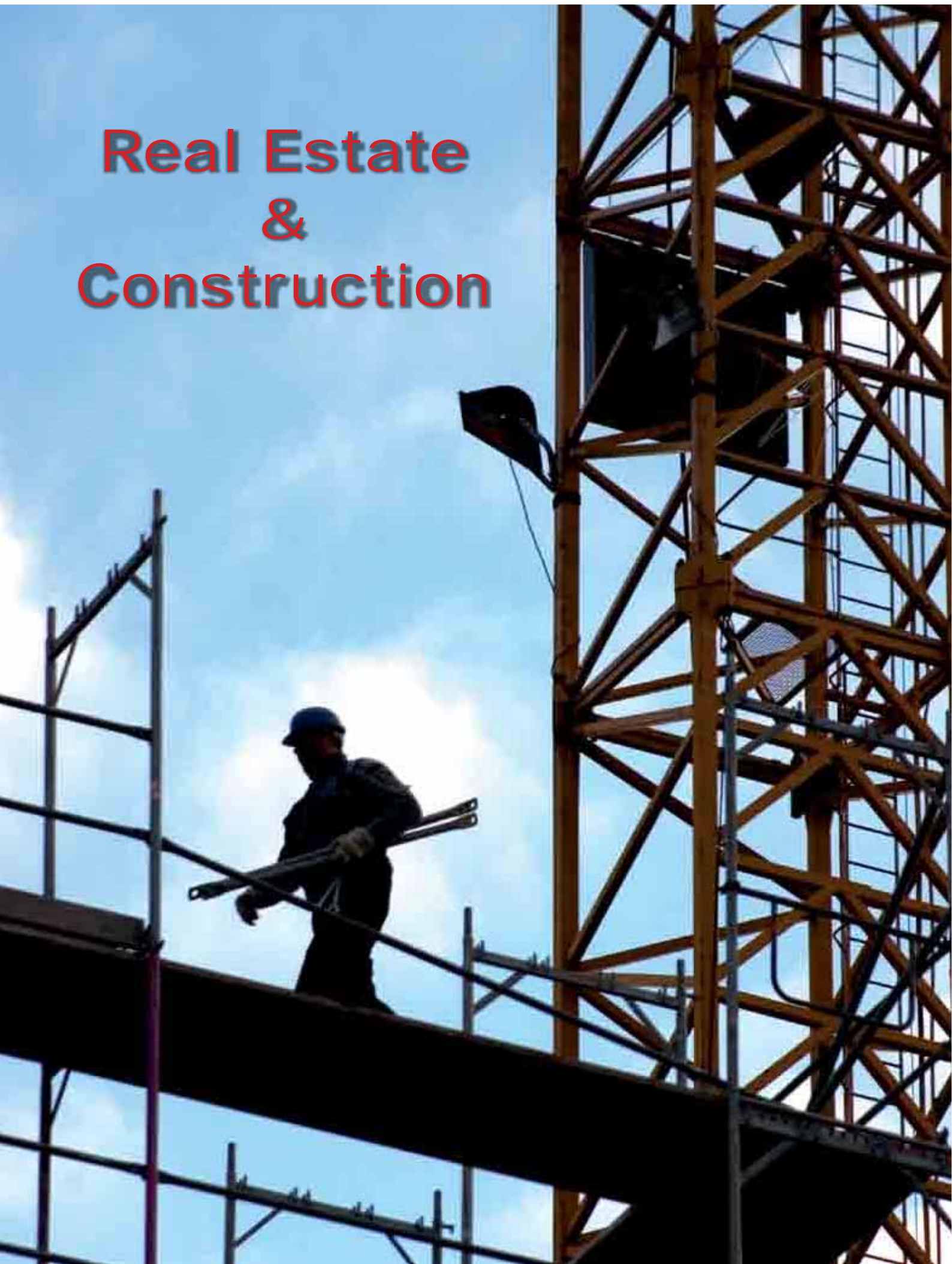
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# Real Estate & Construction





# Real Estate market

## in the time of uncertainty

**Mrs. Monika Rajska-Wolińska**

*Managing Partner Colliers International Poland*



2012 turned out to be a very good year for commercial real estate in Poland. There were many price benchmarks and spectacular transactions in the office and retail sectors including the sale of Warsaw Financial Center, CH Manufaktura, DH Renoma, International Business Center and Platinum Park. There were also several logistics and hotel transactions including the sale of the Intercontinental Hotel. The total supply of office, industrial and retail space increased, although not significantly in every market. Tenants' activity remained high and in some regional markets we observed a record volume of transactions. The total volume of investment transactions in Poland amounted to approximately 2.7 billion EUR which was the largest figure since the bankruptcy of Lehman Brothers.

Due to effective government policy and firm macroeconomic fundamentals Poland has achieved satisfying economic results, placing it in a relatively strong position in comparison to other European countries. However, tight financial markets and weakening economic sentiment in the Euro zone have negatively impacted the Polish market. According to the International Monetary Fund (IMF), Polish GDP amounted to 2.25% in 2012. In comparison with 2011, when the economy grew at around 4.3%, the scale of the economic slowdown is apparent. Nevertheless, quarter by quarter, other indicators provide evidence of improving economic performance.

The Polish balance of trade reached PLN 30 mld in 2012, which is an improvement in comparison to 2011. The export rate increased by 8% and imports increased by 4%. One primary cause of this improvement in trade was the weaker zloty, which boosted the profitability of foreign investments. According to the Central Statistical Office (GUS), Polish entrepreneurs decided to diversify their trade partners. While exports to Sweden and Italy decreased, exports to countries such as: Russia, Ukraine, United Kingdom, Hong Kong and India increased.

Poland continues to attract foreign investors given its significant workforce resources (the share of people in working age in relation to the whole population amounts to 68%), located in economic growth centres spread across the country. This is helping to drive growth in economic and foreign direct investment, which in turn is helping to drive the growth of real estate growth markets, especially in the larger regional cities

According to economist's forecasts we will witness the economic growth of 2% in 2013. It is anticipated that at the beginning of 2013 Poland will be on the edge of recession and will be one of few countries in Europe, in which the tempo of GDP growth will be worse in comparison to the previous year. The lower rate of GDP is the consequence of the decline in domestic demand, caused by deterioration of the labour market.

The Gdańsk Institute for Market Economics (IBnGR) predicts an increase of the unemployment rate to 13.6% and poor consumer moods. According to BZ WBK, after the economic downturn during the first quarter in 2013, however, a gradual improvement of

the situation is expected. The driving force will be an improving situation in the Euro zone, which directly affects the growth of exports, incomes and domestic consumption.

## Commercial Real Estate by sector

### Hotels

2012 was a good year for hotel operators in Poland. Much of the positive trading results were due to the UEFA Euro 2012 Championships. Also the construction of infrastructure investments in roads, stadia, railway, and airports, contributed to the positive results in hotel trading in most of Poland.

However, the prognosis for the hotel market in Poland is not very optimistic. Aside from Warsaw and the COP 19 World Climate Conference, there is no evidence, that 2013 will be strong for hotel operators. The sector shall again witness costs curtailing and yielding for

occupancy. Significant number of privately owned and operated hotels will be put on sale. Also, some of the existing branded hotels in major cities might change ownership. One positive trend expected this year and in 2014, is that it will be considerably cheaper to construct hotels in Poland due to the building and construction industry contraction.

We continue to support our last year's recommendations, seeing optimistic horizons for globally branded 1-, 2-, 3-star products in most regions, towns and cities.

### Investment

Throughout the 2012 Poland maintained its position as the leading CEE market in terms of investment volume, liquidity and availability of debt financing for core product. Total transaction volume of approximately EUR 2.7 billion approached pre-crisis levels of 2007. Large single transaction volumes such as Manufaktura or Warsaw Financial Center underline the confidence vested in the Polish market by the international investment community.

As for the prognosis for 2013 any further movement in pricing is expected to depend largely on the impact of the sovereign debt crisis and additional capital requirements of the main senior lenders in the market. We forecast that prime yields for core properties will remain firm. Poland will maintain its position as the dominant market in the CEE with the market activity subject to the EU macroeconomic outlook.

### Land

2012 turned out to be an attractive and optimistic year for the land market which is demonstrated by the total volume of concluded deals. This doesn't mean a return to the growth trend that was witnessed before 2009. It shows however a sign of systematic stabilization in this area of economy, felt in particular by strong and

capital-healthy developers and investment funds. Investors most willingly were buying land for office and residential development. Overall funds divided their investments by 85% for office and residential, 10% retail and 5% for industrial investment sites. Despite the progressive stabilization on the land market in

2012, there were also some negative trends, which were as a result of financial problems that lead some developers and investment funds to sell their land or to offer for sale the investment areas taken-over by banks from their customers. It is also worth noting that, according to our forecasts, some business entities on the market were seeking possibilities of temporary or permanent cooperation with their competitors.

There is a chance that at the end of 2013 the land market will exceed the value of the last year's transactions. However we should bear in mind that, most of the transactions on the land market will take

place in Warsaw, which in 2012 accounted for 80-85% of all land purchased for residential or office developments. 2013 years will be characterized by dynamics of transactions on office and retail land markets, primarily in cities such as Warsaw, Kraków and Wrocław, and secondly in Łódź and Poznań. We expect that new sales of land for housing development will take place mainly in Warsaw and Kraków. In other local markets, such as the Tricity, Poznań and Szczecin, residential land sales occur, transactions will be made primarily by local developers.

## Industrial

The year 2012 was a good period for the Polish industrial market. Throughout the year over 430,000 m<sup>2</sup> of modern warehouse space was delivered to the market, which represented almost 10% growth in comparison to 2011. The largest amount of new projects was delivered in Wrocław. Currently the total supply of warehouse space in Poland amounts to more than 7.27 million m<sup>2</sup>. In terms of transaction volume, 2012 turned out to be similar to 2011. Demand throughout the year was fairly steady. During the four quarters almost 1.7 million m<sup>2</sup> of warehouse space was leased, the majority of which was located in Warsaw and Central Poland. The most popular among the signed lease agreements were new deals, which constituted 56% of tenants' activity. In comparison to Q4 2011 the vacancy rate in Poland dropped from 11.4% at the end of 2011 to 9.2% at the end of December 2012. A decrease in available space was observed in most

markets. Over the year, rents remained relatively stable. Upward trend was observed only in the regions where the vacancy rate was low.

It is estimated that new supply in 2013 will be slightly lower than in 2012. At the end of 2012 approximately 250,000 m<sup>2</sup> of modern warehouse space was under construction. It is worth mentioning that about 88% of space in active construction has already been leased. Therefore we can expect that the vacancy rate will be gradually reduced, which may cause slight increase of rents in selected markets. The demand should remain relatively stable, both in Warsaw and in most regional markets. Although it does not exclude a small drop in the second half of the year. 2013 will still be dominated by BTS and pre-let agreements, the majority of which will be located in the west part of Poland, in the vicinity of highways.

## Offices

At the end of Q4 2012 the office stock reached 5.8 mln m<sup>2</sup>, 67% of which was represented by Warsaw market. Leasing activity increased by 10% in comparison to the same period of 2011. Pre-let agreements constituted 34% of transaction volumes. At the end of the fourth quarter the overall vacancy rate stood at the level of 9%. The highest indicator was registered in Szczecin

(19.8%), while the lowest in Lublin (4.5%) and Kraków (4.6%).

At present over 1 mln m<sup>2</sup> of modern office space is under construction. Developers' activity focuses on Warsaw, where nearly 60% of new supply will be delivered. In case of regional cities, the most active



markets are Wrocław, Trójmiasto and Kraków. In 2013 total resources of office space in Poland will increase by approximately 630,000 m<sup>2</sup>. In Warsaw the market will record a growth of 320,000 m<sup>2</sup>. New investments will be completed mainly in the zones outside the city center (Mokotów, Włochy, Wola). Among regional markets the biggest growth in supply will be observed in Wrocław, Tricity and Szczecin. Demand for office space is expected to remain at level similar to 2012. Due to growing new supply, regional markets may

register stronger tenants' activity. The vacancy rate in Warsaw will continue the upward tendency, mainly due to increasing availability of space in the non-central locations. Similar to Warsaw, a rise in vacancy will be reported in majority of regional markets. Kraków will be the only exception as the vacancy rate in the city is expected to decrease. Rents will demonstrate a downward trend, especially in case of markets with increasing vacancy rates.

## Retail

In 2012, developers delivered 485,600 m<sup>2</sup> of modern retail space to the market, representing a 22% decrease compared to the previous year. The new supply was dominated by smaller retail developments with a leasable area not exceeding 35,000 m<sup>2</sup>. The largest retail scheme supplied in 2012 was Galeria Rzeszów (42,000 m<sup>2</sup> of leasable space), which was completed in November 2012. More than 30% of the new supply was located in the eight largest Polish agglomerations, while almost 60% was delivered in small and medium-sized cities (less than 200,000 inhabitants). New developers of outlet centres have appeared on the Polish retail market. The first outlet centre was delivered in Szczecin (Outlet Park Szczecin) by Echo Investment, while in Rzgów (near Łódź) Ptak Outlet was completed by Centrum Targowe Ptak SA. At the end of the year, the total supply of modern retail space stood at 9.17 million m<sup>2</sup>. 2012 witnessed new international retail chains entering the Polish market, e.g. the American brands Victoria's Secret, Bath&Body Works and American Eagle Outfitters as well as Scandinavian COS (Collection of Style) owned by H&M Group. Formats worth mentioning are pop-up shops - temporary shops that open in a given area for only a specified time. They are starting to appear in shopping centres. This type of store allows retailers to identify the market and is generally a solution chosen by new brands and young designers, such as Pop-Up Shop Bohoboco and Loft37.pl and Pop-Up Store Blessus located in Stary Browar or the Łukasz Jemioł

boutique in Manufaktura. The vacancy level in the largest Polish agglomerations did not exceed 5%. The lowest space availability was recorded in Warsaw and Szczecin.

Currently, there is almost 800,000 m<sup>2</sup> of retail space under construction. Due to developers' high level of activity, the increase in supply in 2013 will be higher than in the previous year, and is estimated to reach approximately 600,000 m<sup>2</sup>. Developers are once again interested in major Polish cities, where they are looking for gaps in terms of location, complementary offer or diversity of the retail format that they could fill in. Unlike in the previous year, many shopping centres planned for 2013 are large-scale projects with GLA exceeding 50,000 m<sup>2</sup>. On the other hand, growing interest is being recorded in small shopping centres with a local range offering convenient shopping. The biggest openings planned for 2013 include Europa Centralna in Gliwice (67,000 m<sup>2</sup>), Galeria Bronowice in Krakow (approx. 60,000 m<sup>2</sup>), Poznań City Center in Poznań (58,000 m<sup>2</sup>), Galeria Katowicka in Katowice (50,500 m<sup>2</sup>) and the extension of SC Wzgórze in Gdynia.

Currently, the retail market in Poland can be described as a tenants' market; therefore, tenants are reviewing their rents agreed a few years ago. Pressure on rents and the extended period of commercialisation of new projects can translate into an increase in vacancy rates in selected markets.

For more information visit:  
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# Interview

## with Mr. Józef Wojciechowski

### Mr. Józef Wojciechowski

*Founder and Chairman of the Board  
JW Construction Holding SA*



*You gained your business experience in the US. How did the idea of coming back to Poland and entering domestic property developer market originate?*

College gave me solid foundations of economics. I got my business experience from several countries. At the start of my career, in the 70's, I tried different businesses, first in Poland and then in Sweden. I went to the U.S. a few years later. The analysis of the American market suggested that the residential real estate market had a very good future. I got engaged in construction sector. I managed properties, planned completion and sales strategies, but construction works I outsourced to contractors. In order to be really competitive I had to come up with my own business model. I started to come to Poland only 16 years later when the economic system was changed enough so one could come here and do business safely. Then the idea of doing the first developer project originated, and this is how it all started. And I am back for good.

*The year 2011 was not easy for developers. Demand for new apartments fell because the government slowly but surely ends its buy-down program known as "Family on its own", and the banks are less eager to give mortgage loans. As a result of this slowdown, the revenue of J.W. Construction decreased by half – from 620m to 378m, and the net income decreased threefold – from 92m to 31m. Taking into consideration this perspective, how do you assess those quarters of the year 2012?*

Those factors have had an effect on the condition of the whole industry. However, in spite of changing market conditions, the industry reports state clearly that during the crisis years of 2008-2012 J.W. Construction had sold the highest number of apartments. The economy downturn does not last forever and we hope that this is the last year of dropping sales and that we have seen the bottom already, and now it is only going to be better, and we are to rebound after the bad initial 6 months of the year. It is backed up by the latest movements in the property developer market. Sales in September rose, and I expect the last quarter of the year 2012 to produce good data as well.

*How can J.W. Construction prevent losses resulting from the slump in the economy? What tools are available in this field, and what steps can be taken? Is diversification of business activity an option?*

We perceive the developer sector not only on the basis of condominium projects, but also on the basis of commercial properties. We base our strategy on diversification of sources of income. It is the market that we have underestimated so far, and we would like to complement our calculations in the nearest future. In addition to office space we also develop hospitality projects. The hospitality industry does not generate significant sources of income immediately, but for some time it has been generating stable profit. As I already mentioned, we have recently opened Czarny Potok Resort & Spa, a 4-star hotel in Krynica Zdroj.



It is one of the best and most modern hotel spas in Poland. We have plans of building another two hotels. One in Galleria Jagiellonska, a commercial complex in Bialystok. We have already found an operator, and we are to lease this project so we will not have to be managing it ourselves. The second hotel for the same operator we will be developing in Szczecin. Those are sound projects generating stable income and profit, and the chain to which those properties are being leased to has been present in the Polish market for many years. Because of the harder market conditions we make efforts to keep costs down as low as possible so we do not spend money if we do not have to.

[The construction of the Czarny Potok Resort&Spa hotel cost J.W. Construction 180m Polish zloty. This investment is meant to pay off within 10 years. Did you estimate the risk?](#)

I have a degree in economics. Every investment I am about to take part in I thoroughly calculate prior to making any decision regarding engagement. Let us pay attention to the fact that the recessions did not cause the hospitality sector to collapse. The accommodation and conference segment at the 4- and 5-star level is constantly growing. We carried out analyses of similar properties constructed in Poland in less attractive locations. Those investments paid off, and their owners are building new ones in new locations. So this type of investment really works. Our hotel in Krynica Zdroj is meant for customers who not only come there to ski, but also combine business stays with relaxation using our spa center there. The Irena Eris hotel does well in Krynica, and such competition we find very stimulating for us. Our competitive edge is the largest conference center in the region.

[But there is a difference between managing a property developer company and a chain of hotels...](#)

I have been acquainted with the hospitality industry for many years. For 12 years we have been managing the chain of hotels, branded "500". Therefore it is not a totally new business sector for us. We know how to manage hotels. We concentrate on bringing up the

standards to a new level, we are entering a 4-star level to the growing needs on the part of customers.

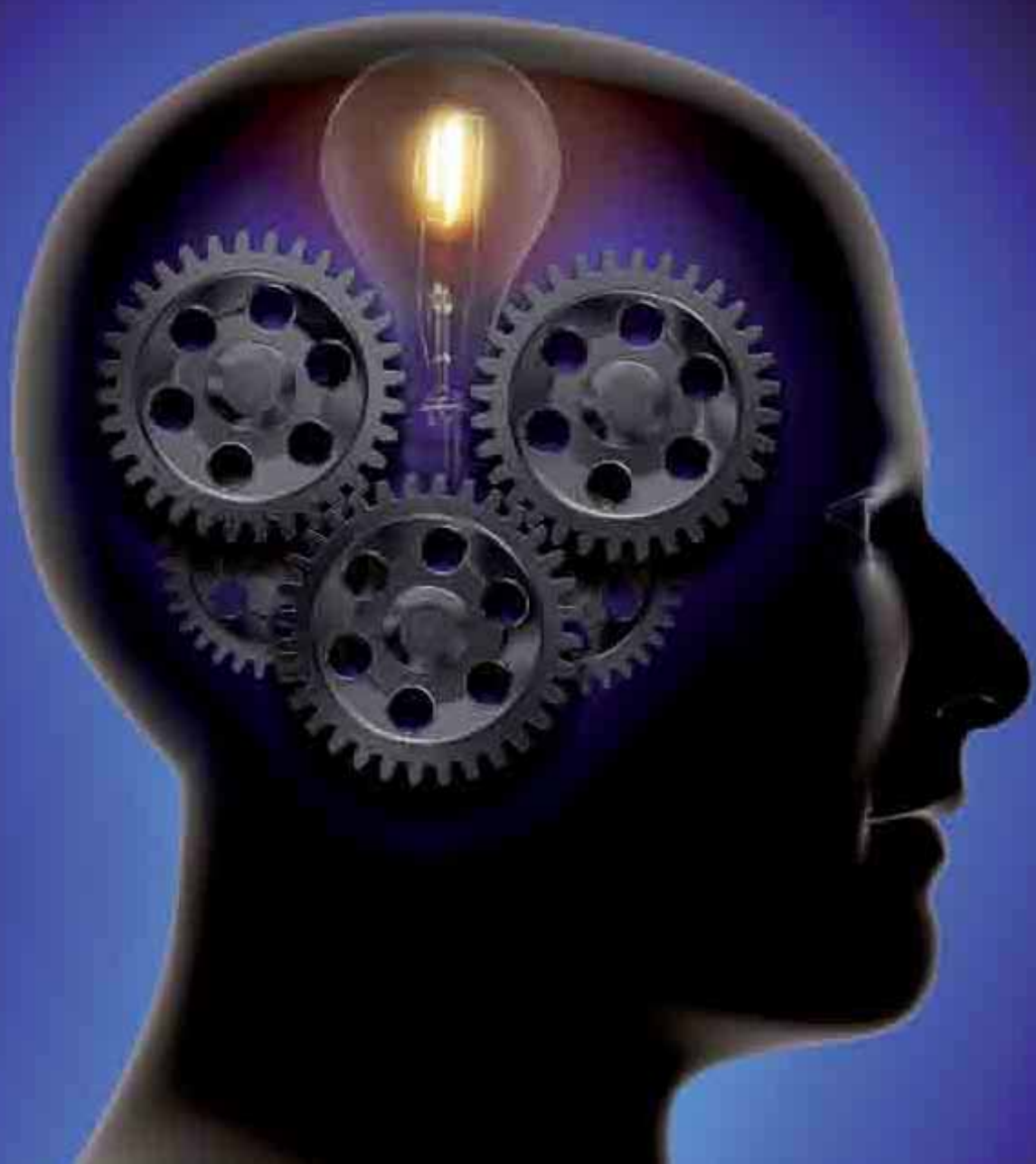
[Is the commercial real estate sector the main direction for development of J.W. Construction?](#)

J.W. Construction is the leading Polish developer. We do not plan on giving up on the position we have earned over the years. We would rather want to diversify our business activity so we do not have to rely only on apartment sales. We would like to be independent of any economic situation. During the slump of economy and lower apartment sales, we would like to have a stable base of lease/tenancy contracts or income from the hospitality segment.

[How, in your opinion, will the real estate market look like next year?](#)

Over the last years, the customers have been fed with different negative information stating that its situation is bad, and it is going to be even worse. Such fears fueled other misdirected notions. Even people with good creditworthiness as to afford buying an apartment decided not to do it because of such uncertainty. But all this is not going to last forever. When people become a bit more optimistic and there are better forecasts, the market will start to revive considerably again. It does not take that much – just a few impulses are enough, such impulses that we receive from the US now. I think that the situation will get better within 6 months. Even more so that apartment needs on the part of Polish people are still huge.





# Human resources and business education in Poland

## The secret of human resources

What made the Polish economy cope so well during a difficult period for global financial markets? Some indicate a favorable situation on the currency market, others talk about the capital inflow from the European Union. Without a doubt however, none of these helpful factors would have played a major role, if it had not been for the valuable human resources of Poland.

The number of Polish population in recent years has stabilized at close to 38.1 million. A slight downward trend results from the negative migration balance related to permanent residence.

This phenomenon intensified after 2004, when Poland joined the European Union. The number of emigrants was rising along with the number of European labor markets ready to welcome foreign workers. The largest increase occurred in 2006 when the country went from 47 thousand Poles (compared with 1920-1925 thousand a year before). Now, however, the migration scale is declining. People who previously decided to move to such countries as Ireland and Great Britain are now coming back, ready to strengthen the inner potential of Poland.

## Struggle against the unemployment

Unemployment is a major problem of the Polish economy. Since the fall of the communist state it has been a burdensome heritage of the society, widening the gap between the ones who took advantage of capitalist reality and the large number of those, who were not as successful. In the past 20 years the unemployment rate remained well above 10 percent. After reaching its historical high of 20.7 % in February 2003 it began to decline until 2008, when the global crisis seriously

weakened the downward trend. In January 2011 the unemployment rate was reported at 13 %. The scale of the problem is most significant in the Zachodniopomorskie and Warmińsko-Mazurskie Voivodeships. The strongest labor markets is to be found in Mazowsze, Małopolska, Wielkopolska and Silesia. The unemployment rate has been falling since 2003 . The main reason is the growing employment level, the fact that the supply of jobs declined has a smaller impact.





## Pay to play

When talking about the potential of Polish labour market it is worth taking into account the remuneration matters, especially as far as the highly skilled workers are concerned. The average wage increases for specialists in 2010 amounted to the level of 4.63 %. A year before pay rises dynamics was slower and reached 3.38%. According to the data presented by the Polish Agency of Information and Foreign Investment the entrepreneurs are planning to raise wages by 3.57 % in 2011.

The earnings of highly qualified workers vary across the economic branches and regions of the country. The costs of hiring specialists are the highest in such agglomerations as Warsaw,

Kraków and Katowice. Average monthly salary of a customer service specialist reaches 3 463 PLN. An independent accountant earns as much as about 3 923 PLN. The earnings of a production process engineer amount to 5 298 PLN, while a logistics specialist earns 3 491 PLN.

The remuneration of specialists varies also depending on whether the company is managed by foreign or by Polish capital. As a rule, the earnings are higher in foreign companies but their growth seems to be faster in Polish ones. Pay rises offered in 2010 by Polish firms amounted to 5.22 %, whereas in foreign companies they reached 4.47 %.



# Interview

## with Mr. Piotr Buła



**Mr. Piotr Buła, Ph. D.**

*Director of the Cracow School of Business  
at the Cracow University of Economics*



**CRACOW  
UNIVERSITY  
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**Cracow School  
of Business**  
*MBA Postgraduate Studies*



### What makes your programs special?

The Cracow School of Business, part of the Cracow University of Economics, is a leading provider of postgraduate and MBA programs in southern Poland.

Our activity is carried out through the implementation of a strategy increasing the School's significance in the process of shaping business due to educating qualified management personnel, teaching ethical behaviour in business, expanding scientific-research cooperation with foreign universities and scientific centres, participating in conferences, training courses and seminars related to internationalization.

### What programs can you offer for the managers?

The school offers a wide range of MBA courses. The Executive MBA Marketing and Management Program, run jointly with the Stockholm University School of Business since 1994, provides an education useful in solving nonstandard problems in business management. The Cracow School of Business also

provides another MBA program, the International MBA Multicultural Integrated Management Program, launched in 2006 and carried out in association with the St. Gallen Business School in Switzerland.

This year the Cracow School of Business has launched three new MBA programs: an MBA in Managerial Communication + Master, an MBA in Healthcare Management + Master, and an MBA in Human Resources Management + Master. Graduates receive a certificate of graduation from an MBA program at the Cracow School of Business and a prestigious Master of Science in Professional Communication degree from Clark University in the United States—as part of a range of professional business studies offered by the College of Professional and Continuing Education.

### Does MBA studies suit and adapt to current business reality in Poland?

The challenges facing today's managers are no longer associated with a narrow specialization in a single field;

that's why we want to equip our graduates with a solid, all round education and skills combining various fields of business and the corresponding fields of knowledge.

The mission of the Cracow School of Business CUE is to provide knowledge making it possible to constantly raise qualifications and skills, and thus to achieve the students' personal and professional objectives and market entities' business objectives, adapted to the needs of the environment in a long-term perspective.

[How important is the collaboration with foreign institutions, business and Universities?](#)

There is no way to create Programmes for training managers without strong and extensive relations with the business. When educating management staff of business entities, an important factor is good corporate relations that guarantee not only the quality, but also the adequacy of the offered Programme. The multidirectional character of relations with the business means cooperation in projects, presentation of good practices, financial and tangible support, cooperation on the labour market, exchange of information, which enables synergy between the activities on the line of science-business.

The driving force of the School is intensive didactic and research cooperation with foreign institutions. A significant participation in conferences and international symposiums results in many scientific publications, items, studies, as well as establishing and broadening the already existing cooperation with foreign partners. As a result, there is a constant increase in standards and the quality of the conducted studies that meet the educational needs of the students.

Extensive co-operation with foreign institutions has contributed to internationalization of the Programmes. This determines their quality, level and continuous development enabling catching up with international standards and models. Improvement in this respect affects creation of the brand of the Programmes and

the School on the national and international scale.

[Are the graduates of your MBA program prepared for changing reality of the market?](#)

Sustaining good relations with graduates presents a significant potential for the School. Therefore, since 2005, it has given these activities a form of MBA Alumni CSB Club (initially MBA Club), whose members meet once a month. Alumni of the MBA Programmes form the nucleus of the Club community.

Within the MBA Alumni CSB Club, students meet with business leaders, members of international company and corporation boards of directors, who share their professional experience. Students have access to up-to-date knowledge in the field of management due to meetings with the representatives of the following companies: Lotos Group, Statoil, IBM, Gaz de France, IIC Partners, Alior Bank, Warsaw Stock Exchange, Silgan White Cap, OBI, Kompania Piwowarska, DZ BANK, Bahlsen. As part of the MBA Club, visits to companies are also organized.

Creation of an integrated and opinion-forming environment of MBA is a priority of the MBA Alumni CSB Club.

[Your University organizes First All-Polish MBA Congress for the 9th time. Can you tell us more about it? How the students of MBA can benefit from it and what potential students can get from it?](#)

CSB CUE, as the only school in Poland, organizes the International MBA Congress. This is a project integrating the worlds of science and business on the one hand and the world of MBA students and graduates from Poland and abroad, on the other hand. Thanks to the Congress, MBA students and graduates, namely people holding managerial positions, may exchange experience in the field of management, not only in the domestic but also the international aspect. Foreign guests and MBA students participating in the



Congress make it possible to create an active platform of international communication and cooperation.

During the International MBA Congress, organized on an annual basis, students have an opportunity to learn how experts from the world of business cope with management. The congress panels are run by top-class specialists from various trades – representatives of leading companies, showing the trends occurring in business. Additionally, Congress participants take part in Study Visits – visits to companies which are example of interesting management models. In 2012, these included: Motorola, Nokia Siemens Networks, Coca-Cola, Silgan White Cap Polska, Cracow Technology Park. This year Congress takes place 17-19 May 2013 and I invite you cordially.

Do you think human resources and human potential are one of the main advantages that bring foreign

investment to Poland?

Certainly these are important aspects of market development for investors in Poland. Educational sector activities play a major role in business. Not only we educate, but we create a forum for the exchange of knowledge and experience, we create standards and we set the future trends locally and globally. This added value encourages interest from foreign investors. I wish all players in our market to have more of them.

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## Poland – growth and entrepreneurship



The Polish sector of the advanced management education started together with the modern Polish market economy slightly more than 20 years ago. Given that the international recognition of MBA programs is greatly based on the past experience and the network of alumni, it is not a lot. A strong position can be built only gradually, and with a great effort. Nevertheless, 20 years is not a short period, either. Over the two decades the best Polish MBA programs gained the reputation, and proved the high academic quality. Still very much price-competitive, compared to West European or North American programs of a similar quality, they offer to the students a very good price to quality relation.

Apart from this, there is something more that we can offer to our students. Poland is a great Case Study of the growth and entrepreneurship. It is generally seen as one of the examples of a success story of a transition towards an open, competitive, fully-fledged market economy. It is the only European country that, up to date, managed to avoid an open recession during the financial crisis.

Obviously, building the position on a MBA program takes a long time. However, one can already see the effects of our hard work. The network of the MBA alumni of the Warsaw University of Technology Business School, the most extensive in Poland, is already over 1200 people. The quality of the program is excellent, the international accreditations granted, the price competitive. What else do you need?

**Prof. Witold Orłowski**

*Warsaw University of Technology Business School Director  
member of the Prime minister's Economic Council  
Special Adviser to the EU Commission*



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# KLESZCZÓW

PRZYJEDŹ | ZAINWESTUJ | ZYSKASZ  
VISIT | INVEST | PROFIT



Gmina Kleszczów to gmina o charakterze przemysłowym o bardzo dobrej infrastrukturze niezbędnej dla rozwoju przemysłu produkcyjnego. Posiada zasoby surowców naturalnych do wykorzystania w produkcji, takich jak: węgiel, gliny, żyzny piasek, żwir, popiół, gips. Położona jest w centrum Polski w sąsiedztwie przyszłej autostrady A1.

Dzięki skutecznemu wdrożeniu Strategii Rozwoju Gminy, znaczący możliwości finansowym utrzymuje wysokie tempo rozwoju również w nowych dziedzinach gospodarczych, jak wody geotermalne o właściwościach leczniczych. Wszystko to rysuje nową perspektywę rozwoju.

Kleszczów is a commune of industrial character with a fully developed infrastructure necessary for the expansion of manufacturing industries. It affords access to rich natural resources that can be used in production, such as brown coal, loam raw materials, silicon sands, ashes, and waste gypsum. Kleszczów is located in central Poland in close proximity to the prospective A1 motorway.

Due to the successful implementation of The Commune Development Strategy, and significant financial resources, a high growth rate is sustained. This is also evident within new fields of our economy such as geothermal water which has been shown to have medicinal properties. This presents new development prospects.

W gminie utworzono 4 strefy przemysłowe w **Rogowie**, **Wesołej**, **Żelaznej** i **Bogumińowie**. Przy ostatniej to ponad 100 ha nowych terenów w pełni ukształtowanych medial, gdzie inwestorzy mogą prowadzić działalność gospodarczą na preferencyjnych warunkach.

Jeżeli zdecydujesz się inwestować w Gminie Kleszczów zwróć się do Fundacji Rozwoju Gminy, gdzie „przy jednym stole” załatwisz wszystkie niezbędne formalności związane z realizacją Twojej inwestycji. Tu kupisz teren pod inwestycję, tu otrzymasz niezbędną pomoc, by Twoje zamierzenie stało się rzeczywistością.

Four industrial zones have been established within the commune: in **Rogowie**, **Wesoła**, **Żelazna** and **Bogumińów**. The latter three zones encompass over 500 hectares of land with fully developed infrastructure where investors can conduct business on preferential terms.

If you are interested in investing in Kleszczów commune please contact The Commune Development Foundation where you will be able to address the formalities concerning your venture. You can purchase land for your investment here and obtain necessary assistance to make your investment a reality.

Co możesz zyskać inwestując w Kleszczowie:

- Niskie ceny uzbrojonych terenów
- Niskie ceny energii i mediów (niż w innych gminach)
- Pomoc w szkoleniu i pozyskaniu ludzi do pracy
- Zwolnienia podatkowe z Gminy Kleszczów
- Zwolnienie z podatku dochodowego i inne przywileje Łódzkiej Specjalnej Strefy Ekonomicznej
- Mieszkania dla niezbędnej kadry z zasobów Gminy, spółdzielni mieszkaniowej lub działki pod budowę własnych domów
- Pomoc formalno – prawna ze strony Fundacji

What an investment in Kleszczów commune can offer your company:

- Low prices of developed land
- Low prices of energy and other media (compared with other communes)
- Assistance in training and recruiting employees
- Tax concession and exemption
- Exemption from income tax and other benefits within Łódź Special Economic Zone
- Housing resources from The Council and The Housing Association or plots of land for building new houses
- Formal legal advice for investors on the part of The Commune Development Foundation

[www.wirtualnykraj.pl](http://www.wirtualnykraj.pl) | [www.fundacja-kleszczow.pl](http://www.fundacja-kleszczow.pl)



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# Polish brands & Polish Exports



**Poland is one of the most rapidly growing economies among the European Union countries. It is the only country in the European Union to avoid a recession through the 2008 – 2009 economic downturn, although the GDP per capita is still much below the EU average.**

In 2010, the country's GDP grew by 3.8 percent, in 2011 that number increased to over 4,3 percent. The growth in 2012 is expected to slow down, due to the turmoil in the "Eurozone". However, a forecast by the Polish Government indicates it should continue with a steady growth of 2.5 percent.

## Transition

After 1989, Poland went through a process of socioeconomic transition moving towards a western economy, with free market and private ownership.

Poland has experienced fundamental change throughout the entire infrastructure of the country. It had to replace the old soviet economic structure and integrate into the world market. High unemployment, soaring inflation, a budgetary deficit, foreign debt were amongst the biggest difficulties Poland had to face at that time.

In January of 1990, Poland was hit with a deep economic crisis, this was manifested in a 20 percent decline in GDP, hyperinflation reaching 700 percent and with industrial output falling by 30 percent in between 1989–91. However Poland was the first post-communist country to experience a positive growth of 2 percent in 1992, and 4 percent in 1993 with inflation down to 12 percent.

In 1996 Poland became the 28th member of Organisation for Economic Cooperation and Development (OECD) and the share of OECD countries in Polish sales has reached 80 percent in 2001, of which 70 percent were the EU states.

Since the year 2000 significant changes have occurred in the geographical structure of the Polish export market, mostly due to the fact that in 2004 Poland has joined EU and its single market. Adoption of EU legislation allowed Poland to reform the way in which its economy is regulated and reduce government intervention in the private sector. Economic growth and a better environment for business were created by changes in areas such as financial markets, company and competition law, accounting, and intellectual property rights. Despite the difficulties of the transition process Poland had managed to successfully join the European single market in just 15 years.



## Exports and imports

Since 2004 there has been a steady growth in the Polish economy. Despite the unfavourable conditions prevailing in the Global and European economy in 2011, Poland's economy has developed at a stable pace. The gross domestic product (GDP) increased in 2011, in real terms, by 4,3 percent. Poland's strong economic performance was fuelled by high export output, increased business investment and rise of individual consumption.

In the years 2000- 2010 Poland's exports value increased nearly 3,5 times. According to the CIA fact book data, Polish exports in 2011 reached the amount of 197.1 billion USD. The dominating role in the structure of Polish exports is played by:

- machinery and transport equipment amounting to 37.8 percent
- intermediate manufactured goods 23.7 percent
- miscellaneous manufactured goods 17.1 percent
- food and live animals 7.6 percent

Up to 78 percent of goods are exported to the EU27. The biggest trade partner in the EU is Germany, which accounts for 26,2 percent of the total value of the Polish exports. Other major EU export partners are:

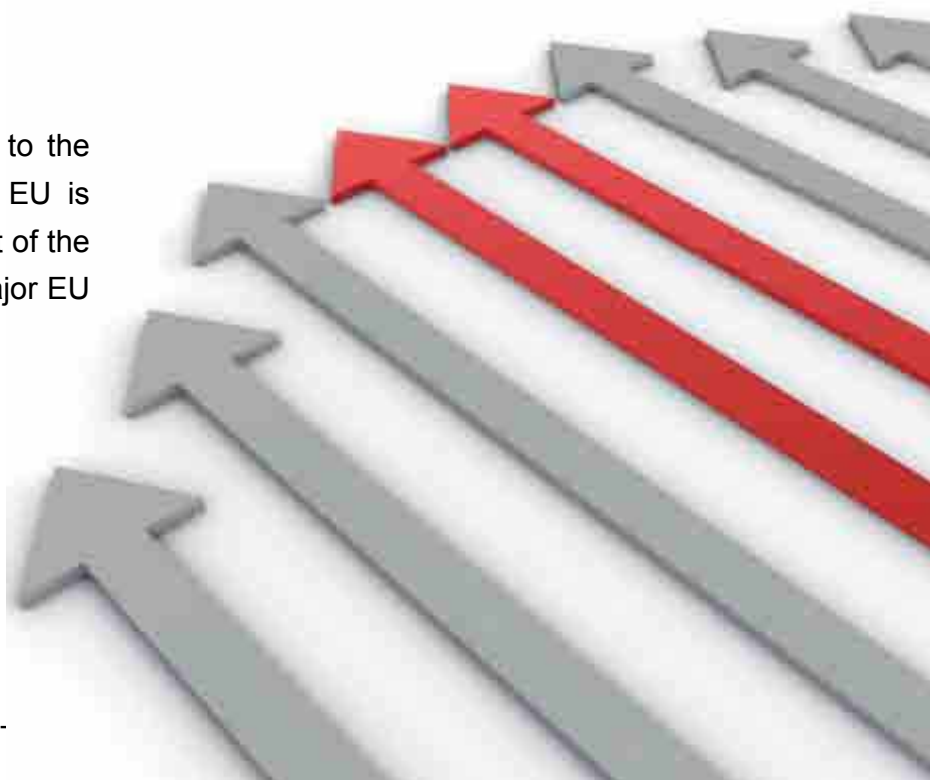
- France with 7.1 percent
- UK 6.4 percent
- Italy 6.3 percent
- Czech Republic 6.2 percent
- Netherlands 4.3 percent

Russia is the major recipient of the Polish goods outside the EU, with just over 4 percent.

In 2011 the commodity turnover in foreign trade grew slightly faster on the exports side than on imports. Last year imports reached the level of 217.9 billion USD. Most purchased goods were:

- machinery and transport equipment 38 percent
- intermediate manufactured goods 21 percent
- chemicals 15 percent
- minerals, fuels, lubricants
- related materials 9 percent.

Polish main import partners were Germany 29.1 percent, Russia 8.8 percent, Netherlands 6 percent, Italy 5.8 percent, China 5.6 percent, France 4.5 percent, Czech Republic 4.2 percent.







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## Investments

Since 1989 foreign investment has been at the centre of Poland's economic transition. Since 1990 over 180 billion USD was attracted by Poland in FDI, most from Western Europe and

United States. According to the estimate of NBP in the first 10 months of 2011 foreign direct investment to Poland amounted to EUR 9 billion, which is already over 2 billion more than the FDI of 2010.

In recent years Poland has become a competitive market, attracting a growing number of foreign investments. With a talented and well educated, young labour force, strategic geographic location, sizeable market and wage rates among the lowest in U, Poland attracted a significant number of new private investment.

Poland also proved to be resistant to external shocks – mainly due to the country's significant internal market and diversified export structure. The risk of financial crisis also held steady on a low level (public sector debt amounts to 55.0 percent GDP while the EU27 average equals 80.0 percent GDP).

The sectors which are most attractive for investors include power generation, environmental technologies, defence equipment, IT products and services, gas related and medical equipment. Moreover the European Football Championships of 2012 being organised by Poland and Ukraine has proved to be major stimulating factor for the development of construction, service and tourism sectors.

# Interview

## with Mr. Krzysztof Przybył

### Mr. Krzysztof Przybył

*President of the Board of Directors,  
Polish Promotional Program Foundation*



How would you sum up the Foundation's accomplishments in 2012?

2012 was a very interesting year. The world is spinning much faster. The events are running forward, particularly the economic ones. The Foundation was brought into being in order to promote the economy, but also the culture and other actions regarding sport and tourism. "Poland: Now" competition is devoted to services, products and councils. 2012 was a special year to us, as we celebrated 20 years of this competition, but we also left behind three editions of Great Pole contest. A round anniversary, celebrated last year, was a factor, which prompted us to publish our new magazine "Poland: Now", which is summarizing our activity. We also introduced a new contest "Great event" to our activities. The first laureate of this edition was The Great Orchestra of Christmas Charity (WOSP) – not only for the collection of funds for the health protection, but also for the programmes which promote behavior and health service, including all the trainings for the youth. Mr Owsiak wants children of all schools to be taught first aid. The second honored group was "Tour de Pologne", for it is a prominent symbol of Polish ability to organize sport events. The

third to be distinguished were "Athletic Thursdays", which are organized for the promotion of physical development of children and teenagers. This year we closed collecting the applications for the contest and we hope they will be just as interesting.

And what about the situation of Polish economy?

As for the external situation, summing up 2012, we may say that we are starting to reach a good situation as a country. Due to funds we gain, thanks to joining the UE, as well as by the fact that we're economically stabilizing. In spite of general belief of the crisis, a lot of experts claim that it's only an economic slowdown. We don't reverse – we keep going forward, but just more slowly. Poland with internal consumption of 50%, perfectly deals with such situations. I hope that our society will still develop so rapidly, and by observing the laureates of "Poland: Now" emblem, I know that we can succeed not only in the country, but also abroad. Sometimes excessive success provokes negative external reactions, however, the answer are the lectures about economical patriotism. It is necessary to highlight the positive aspects and the value of internal consumption, that is making use of services and products manufactured by Polish companies. In



April last year we dedicated a special seminar to this matter. Furthermore, there was the sixth edition of "Poland Promotion Now", the MA theses competition, which ended with a solemn gala and a conference, at which we established a new project, called "Poland Puzzle". The programme, dedicated to the graduates and young businessmen, is supposed to show them how to succeed at a young age, without going abroad.

#### Who do you collaborate with on this project?

We collaborate with our business partner, the Best Place Institute, which also publishes the "Poland: Now" magazine with us. The main figures of the projects are, among other people, Robert Korzeniowski and Karol Okrasa. The agricultural and alimentary production is being a leading ship of the polish export at the moment. We keep on rising the number of our partners and we try to invite our laureates to collaboration. Our activities are supported, among others, by Selena and Polfarma. Grupa Fakro, a mighty partner, will join the Foundation in 2013.

#### The last year's football championship EURO2012, co-organized by us, was an event that attracted tourists from all over the world to our country. Did it contribute to promotion of Poland and Polish products in the foreign countries?

Every event on an European or a world scale makes people interested in our country. Polish offer for the tourists, as well as for the businessmen, is very rich and open and makes a positive impression. The Poles are famous for their openness and friendliness. The organization of such undertakings is a great privilege and an occasion to improve our image in the world. First, we were absorbed in the Chopin year, then in our presidency in the European Parliament, after that we organized Euro 2012, which went perfectly well. The promotion by sport is very important, since it's the easiest one and it benefits the most, promoting healthy lifestyle on the side. The upcoming Handball

World Championship will be another chance to confirm the positive opinion about Poland. To me, we're still a green island and we put up with the prevalent crisis best. In the coming years I expect some positive changes and an increase of tourists visiting Poland. However, a limited number of visas issued to the Asian tourists creates a big problem. A number of tourists from Asia, visiting the Czech Republic or Hungary, exceeds 200 thousand, whereas only 40 thousand come to Poland. So it's still a long way before we even this disproportion.

#### What are your plans for 2013, apart from the standard Foundation's activities?

It will be the year after celebrating the 20 years of the Foundation, so it's quite difficult to surpass such an event, but for sure we will continue publishing our magazine and all the related operations. We will organize debates and screenings concerning the most important issues of science, economy and innovation, and also promotion of products and councils, which comes with every edition. We also plan to give more attention to the role of woman in the world. Nonetheless, we will still focus on helping young people in starting and developing themselves, in order to stop the outflow of the young, educated Poles. All the time we're trying to improve the development of local government units in cooperation with the administration department of Warsaw University of Technology. We want to dedicate 2013 to establishing the projects we started the previous year. There will be a debate, entitled "Economics and ethics" in April. The last year's one was mainly about the economical patriotism, and this year we want to emphasis the "generation race".

#### Has the attitude of Polish government towards the promotion of Polish export and Polish brands changed?

The operations of Polish government are still quite scattered. At first, they lacked funds, which was

noticeable, for example, in tourism industry, but I can see that eventually they managed to find them. Ministry of Economy was working for two years on economical promotion programme and now it's starting to bring the effect. Unfortunately, there is still no common, solid strategy, no slogan or sign, with which we could promote the Polish economy. I suggested using "Poland: Now" promotional emblem for international promotion, because it's already well recognized by the Poles. It may be that we just haven't found a slogan that would satisfy us all and which could make us work together.

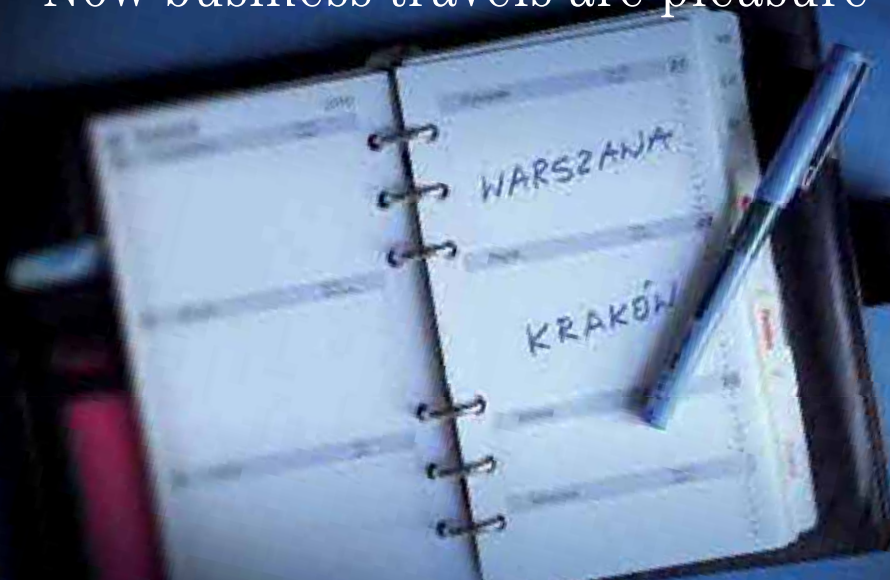
**What chances and dangers for Polish companies can you see for this year?**

The situation of Polish market is stable, especially regarding the functioning and management of NBP, thanks to which the right level of inflation is kept and

the price level is equalized. It allows a stable flow of import and export. The image of Polish companies abroad keeps on improving. Still, Germany is our main recipient and we expect these trade relations to evolve. We should also consequently develop the collaboration with the Far East, for China, which till now was the main exporter. As the wealth of Chinese society increases they will want to import more and expecting better products made out of better materials. It's a chance for Poland. We're also entering the South American market, particularly the Brazilian one, which is a dark horse of economical development. There is a lot of the Polish diaspora in Argentina and Brazil, which gives us great opportunities. I'm glad that MSZ notice these chances and aim their actions there, because the European Union has limited absorptivity, and we can't count on its growth in the presence of Greek, Spanish and Italian crises.

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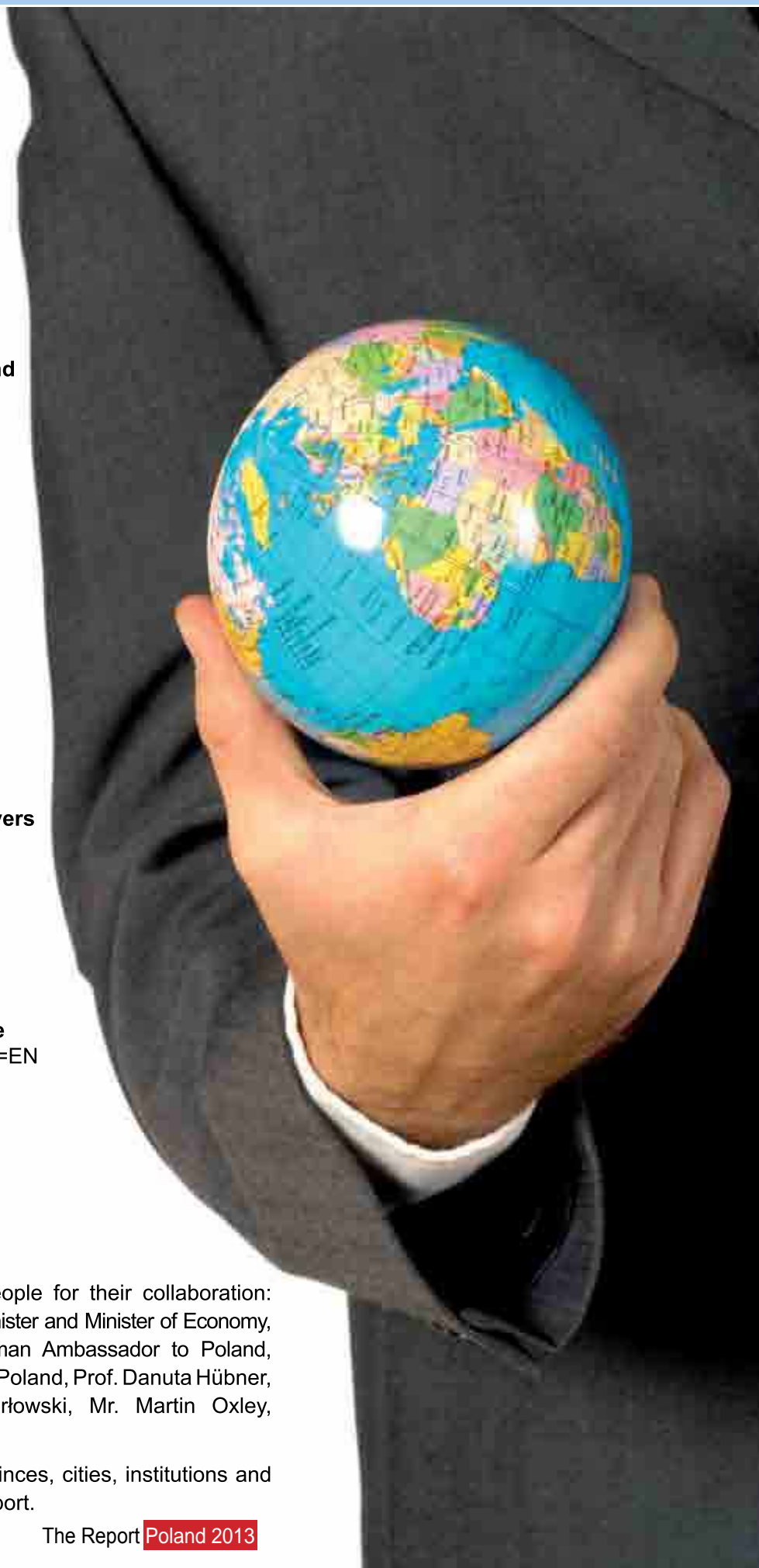
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