

Doing
Business
in Eastern
Poland

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Chapter I

Introduction



1. Voivodeships of Eastern Poland

The **Macroregion Eastern Poland** comprises five voivodeships (Polish: województwa also known as provinces): **the Lubelskie Voivodeship, the Podkarpackie Voivodeship, the Podlaskie Voivodeship, the Świętokrzyskie Voivodeship, the Warmińsko-Mazurskie Voivodeship** of a total area of 99 037 km² which is 31.7% of Poland's total area. The Macroregion has six neighbouring voivodeships: the Mazowieckie Voivodeship, the Łódzkie Voivodeship, the Małopolskie Voivodeship, the Śląskie Voivodeship, the Kujawsko-Pomorskie Voivodeship and the Pomorskie Voivodeship as well as five countries: Belarus, Lithuania, Russia, Ukraine and Slovakia.

MAP 1. The Macroregion Eastern Poland



Source: Own compilation based on the administrative division of Poland

TABLE 1. The area of Eastern Poland voivodeships and neighbouring (border) regions

Territorial unit	Area in km ²	% of total area of the country	Neighbouring regions
Poland	312 679	–	–
Lubelskie Voivodeship	25 122	8.0%	Podlaskie Voivodeship Mazowieckie Voivodeship Świętokrzyskie Voivodeship Podkarpackie Voivodeship Belarus Ukraine

Podkarpackie Voivodeship	17 845	5.7%	Lubelskie Voivodeship Świętokrzyskie Voivodeship Małopolskie Voivodeship Slovakia Ukraine
Podlaskie Voivodeship	20 187	6.5%	Warmińsko-Mazurskie Voivodeship Mazowieckie Voivodeship Lubelskie Voivodeship Lithuania Belarus
Świętokrzyskie Voivodeship	11 710	3.7%	Mazowieckie Voivodeship Lubelskie Voivodeship Podkarpackie Voivodeship Małopolskie Voivodeship Śląskie Łódzkie
Warmińsko-Mazurskie Voivodeship	24 173	7.7%	Podlaskie Voivodeship Mazowieckie Voivodeship Kujawsko-Pomorskie Voivodeship Pomorskie Voivodeship Russia
Eastern Poland	99 037	31.7%	Mazowieckie Voivodeship Małopolskie Voivodeship Śląskie Voivodeship Łódzkie Voivodeship Kujawsko-Pomorskie Voivodeship Pomorskie Voivodeship Belarus Ukraine Lithuania Russia Slovakia

Source: Own compilation based on information from Marshal Offices

TABLE 2. Structure of territorial self-government in Eastern Poland

Self-governmental unit	Lubelskie Voivodeship	Podkarpackie Voivodeship	Podlaskie Voivodeship	Świętokrzyskie Voivodeship	Warmińsko-Mazurskie Voivodeship
poviats (Polish: powiaty) also known as counties	24	25	17	14	21
Gminas (urban and rural communes):	213	160	118	102	116
Towns	42	50	40	31	49
Subregions	4	4	3	2	3
largest cities	Lublin, Chełm, Zamość	Rzeszów, Przemyśl, Stalowa Wola	Białystok, Łomża, Suwałki	Kielce, Ostrowiec Świętokrzyski, Starachowice	Olsztyn, Elbląg, Elk

Source: Own compilation based on information from Marshal Offices, Central Statistical Office as of 30 June 2012



1.1. Warmińsko-Mazurskie Voivodeship

A traditionally agricultural voivodeship known as the country's fresh-air region, it emphasizes ecological food production. Its timber resources form the basis of the region's wood products and furniture industries. **Major industries include food production, timber processing and ecotourism, with luxury-yacht and boat manufacturing** quickly growing in importance. **Leading FDI source countries are France, Germany, the Netherlands, Switzerland and the US.** Recent major investors are Michelin Poland; Ikea; Alstom; HeinzGlas; Philips; Provini; Smithfield; Safilin; Heineken. **Sectors with huge potential include food processing, timber, renewable energy, tourism and nautical sector.**

Situated in the north-eastern part of Poland, the Warmińsko-Mazurskie Voivodeship has four neighbours: Podlaskie, Ma-

zowieckie, Kujawsko-Pomorskie and Pomorskie and it borders with Russia. It covers 24 173 km² which is 7.7% of Poland's total area. It is the country's fourth largest voivodeship, inhabited by 1 451 950 (as of 30 June 2012) people, that is 3.8% of Poland's total population. The average population density is 60 people/square kilometer and is the lowest in the country (average population density is 123 people/square kilometer) and in rural areas approx 25 people/square kilometer. Olsztyn and Elbląg are the biggest cities of the voivodeship and the following towns have a population of over 20 thousand: Elk, Iława, Ostroda, Giżycko, Kętrzyn, Szczytno, Bartoszyce, Mrągowo, Olecko and Działdowo. The voivodeship is a home to two special economic zones – the Warmia-Mazury Special Economic Zone and the Suwałki Special Economic Zone as well as to three technology parks – Olsztyn Science-Technology Park (to be completed in 2013), Elbląg Technology Park and Urban Development Zone Techno Park in Elk.

Olsztyn is the capital of the voivodeship and this is where major offices of the local government are based (i.e., Voivode and Marshal Offices, Voivodeship Government and local government assembly). The city is an economic, educational and cultural center, as well as an important road and railway node.

The population of Olsztyn amounts to **175 482 (as of 30 June 2012) inhabitants**. The capital of Warmińsko-Mazurskie Voivodeship is situated 87 km from the Russian border, 131 km from Kaliningrad and 408 km Vilnius – the capital of Lithuania. Three rivers run through the city: Łyna, Waciąg and Kortówka.

Olsztyn is a home to a number of important industries, including furniture manufacturing and other wood-processing units (MM International, Mazur Comfort, Mebel-Plast), tire production (Michelin Tyre Factory), machinery production for the food sector, metals, chemicals and food processing, mainly of meat and dairy (Indykpol Group, Polmlek Group). Local authorities are keen to develop a host of other modern sectors, such as **offshoring and clean technologies**. Citi Group and Transcom



already decided to open their BPO centers in Olsztyn. With 16 institutions of higher education, it is the biggest academic center in the region, offering 49 majors to over 35 thousand students. Olsztyn is particularly interested in attracting electronic industry, IT, biotechnology and BPO.

1.2. Podlaskie Voivodeship

Podlaskie is situated in the most north-eastern part of Poland. It shares 260 km of its border with Belarus and 104 km with Lithuania and neighbours with the following voivodeships: Warmińsko-Mazurskie, Mazowieckie and Lubelskie. It is situated on 201 thousand square kilometers and inhabited by 1.2 million people. There are 39 towns and cities in the Podlaskie voivodeship, among which 3 have city county rights. **Białystok, Suwałki and Łomża** are major cities of the Podlaskie, followed by Augustów, Bielsk Podlaski, Zambrów, Grajewo and Hajnówka (with over 20 thousand inhabitants).

The Suwałki Special Economic Zone operates in this voivodeship with its seat in Suwałki and subzones in Białystok, Elk, Gołdap, Grajewo and Małkinia Górna. Some of the companies operating in the Economic Zone are the following: Pfeleiderer MDF Sp. z o.o., Rockwool Polska Sp. z o.o., Impress Decor Polska Sp. z o.o. and Mispol S.A.

Sectors of economic significance to the voivodeship include **food industry** (mainly diary – Mlekowita, Mlekpól, meat, beer –

Łomża Brewery, Doilidy Brewery, spirit – Polmos Białystok, fruit and vegetable) as well as **machinery and equipment manufacturing** (Pronar Sp. z o.o., Samasz Sp. z o.o., Biwar-Nible Sp. z o.o.).

The most important national roads in the Podlaskie voivodeship are **No. 8** (Kudowa Zdrój – Wrocław – Warsaw – Białystok – Suwałki – Budzisko), **No. 16** (Olsztyn – Augustów – Ogrodniki), **No. 61** (Warsaw – Łomża – Augustów) and **No. 19** (Kuznica – Białystok – Lublin – Rzeszów). Moreover, construction of expressways S16, S19, S61 and S8 is foreseen.

Inhabited by over **295 thousand** people with a 102.12 km² area, **Białystok** is the capital of the voivodeship. The most developed industries located in the city are: textile, electronic, engineering, metallurgical, wood, food and construction material industries. The city is a trading centre, mainly with the east. The Eastern Market Promotion Centre operates here. Białystok is also a venue of International Trade for Textile and Clothing, Food and Processing, Consumption and Food and Agriculture.

The heart of the voivodeship houses significant research and academic centers: **Medical University of Białystok, University of Białystok** and **Technical University of Białystok**. As it comes to the private education sector, the most renown is the **College of Public Administration in Białystok** (Wyższa Szkoła Administracji Publicznej im. Stanisława Staszica).

1.3. Lubelskie Voivodeship

It is situated in the eastern part of Poland (between the Vistula and the Bug River). It borders on the Podlaskie, the Mazowieckie, the Świętokrzyskie and Podkarpackie voivodeships and on Belarus and Ukraine. Covering 8% of the country's total area (25 122 km²) it is the third largest province in Poland with the population of slightly over 2.0 million inhabitants. Population density is 87 people/km² which is below Poland's average population density (123 people/km²).

The largest cities of the voivodeship are: Lublin, Chełm and Zamość, followed by Puławy, Świdnik, Kraśnik, Łuków, Biłgoraj, Lubartów and Łączna population over 20 thousand inhabitants). **Lublin** is the capital city of the voivodeship and at the same time one of the biggest cities in Poland with regard to population (with 348 961 inhabitants

it is the 9th biggest city) and area (147 km² puts it at 15th place).

The city's top priority sectors are: **food sector** (agricultural and food processing), **renewable energy sources sector**, **Business Process Outsourcing sector** (joint-service centers). It is also a seat of **Lublin Subzone** which is part of **Euro-Park Mielec Special Economic Zone**. Zone, with such investors as Aliplast Sp. z o.o., Ramatti Sp. z o.o. and Ball Packaging Europe Lublin Sp. z o.o. and MW Lublin Sp. z o.o. The province's capital is also home to centers of innovation and research, that is **the Lublin Park of Science and Technology and Academic Entrepreneurship Incubator**. Lublin is a city of young people; over 40% of its inhabitants are under 35. The city is famous for its prestigious universities, i. e. **the Catholic University of Lublin and the Maria Skłodowska-Curie University of Lublin, the Medical University and the University of Life Sciences in Lublin**.

There are some major national and international roads passing through the city: **No.12** from Warsaw to Kiev, **No. 19** from Białystok to Rzeszów and **No. 82** from Lublin to Włodawa. Moreover, Lublin is part of the **expressway S 17**, a priority connection between Warsaw (Poland) and Kiev (Ukraine) which is to be completed by 2015.

1.4. Świętokrzyskie Voivodeship

Situated in north-eastern Poland, the voivodeship's borders are partly defined by the topography of the region; the south-eastern and eastern border is designated by the Vistula River and on the west by the Pilica River. The Świętokrzyskie has six neighbouring voivodeships: the Mazowieckie, Lubelskie, Podkarpackie, Małopolskie, Śląskie and Łódzkie. It is inhabited by **1.26 million people** residing on 11 711 km² which gives the population density index of 108.9 people per km². There are 31 towns



and cities as well as 2821 villages. Kielce, Ostrowiec Świętokrzyski, Starachowice, Skarżysko-Kamienna, Sandomierz and Końskie are the biggest cities of the voivodeship.

Among dominant industrial sectors of industry here the, you may find: **non-metallic mineral products sector (steel work** – CELSA Huta Ostrowiec), **cement** – Dyckerhoff Cement Plant, Lafarge Cement Polska, the Dolina Nidy Gypsum Production Plant, **ceramics** – Cersanit, Ceramika Końskie, Ceramika Gres). Metal sector – Mesko Metal Factory in Skarżysko-Kamienna, **machinery sector** – Starvex Machinery and Appliance Manufacture Plant in Starachowice. One of the biggest power plants in Poland – **Elektrownia Połaniec** is located within the province's borders.

The economic advancement in the Świętokrzyskie is effectively supported by **Starachowice Special Economic Zone** and **Euro-Park Wisłosan Special Economic Zone of Tarnobrzeg** (Staszów Subzone with Połaniec). Companies which invested in the zones of the Świętokrzyskie Voivodeship are: Cerrad, Cersanit, R.R. Donnelley Starachowice, Man Bus and many others (full list can be found at <http://www.tsse.pl/pl/5/>).

Major roads passing through this area are national roads No. 7 running north-south and No. 74 running east-west.

Situated in the Świętokrzyskie Mountains Kielce – the economic and tourist centre of the region is also the capital city of Świętokrzyskie voivodeship. The city is well – known for its great construction tradition as well as for being a cultural and tourist centre. There are Companies locate their headquarters (or branches) in Kielce, i.e. Cersanit, Barlinek, the Kolporter Capital Group, Echo Investment, NOMI, Mitex.

The most renown educational institutions of Kielce are: **the Jan Kochanowski University of Humanities and Sciences and Kielce University of Technology**, and in the private education sector: **the Professor Edward Lipiński Higher School of**

Economics and Law and the Świętokrzyska Higher School.

The city is also a well-known trade fair and exhibition center. **The Kielce Trade Fair Center** hosts over 60 trade shows a year, often accompanied by numerous academic conferences and shows. They are combined with scientific conferences and presentations.

The region's natural resources provide **the raw materials for its cement and gypsum industries**, and the products of the Świętokrzyskie region's gypsum and cement plants are well-known on both Polish and foreign markets. Poland's biggest building firms are based in the region. It is one of Poland's ecologically cleanest regions. As much as one-third of all cement produced in Poland is made in Świętokrzyskie. Among other important sectors are the food industry (US firm Smithfield Foods is present in the region) and metallurgy. Other important growth areas include rest and recuperation health services and organic food production.





1.5. Podkarpackie Voivodeship

This voivodeship is located in the most south-eastern part of the Macroregion. From the east, it borders the Lviv Oblast and the Zakarpattia Oblast of Ukraine; from the south, the Prešov Region of Slovakia and from the northern-east – Lubelskie voivodeship, from the northern-west – the Świętokrzyskie and from the west, it borders Małopolskie. The area of **17 846 km²** is inhabited by **2.127 million** residents which is 5.7% of the country's total area. There are 159 communes in total, 16 of which are urban communes. **Rzeszów** and **Przemysł** are the two biggest cities of the region, yet Stalowa Wola, Mielec, Tarno-brzeg, Krosno, Dębica, Jarosław, Sanok and Jasło also deserve attention.

Economic sectors that are particularly crucial for the voivodeship's development include: **aviation sector** (Sikorsky Aircraft, Goodrich Corporation, the Aviation Valley Association), **chemical** (Lotos Parafiny, Carbon Black Poland, the Organica-Sarzyna Chemical Plant, the Siarkopol Chemical Plant in Tarnobrzeg), **food** (meat, grain and mill, fruit and vegetable, milk and sugar) as well as **electroengineering** (General Electric Corporation). The above-listed industries account jointly for 70% of the province's total industrial production. Also glass, construction material and wood industry are well-established in the region.

Two special economic zones are active within the Podkarpackie: **the Euro-Park Mielec Special Economic Zone**, the first SEZ set up in Poland, (1 246 ha) and the **Tarnobrzeg Euro-Park Wisłosan Special Economic Zone** (1 632 ha) where over 20 thousand jobs have already been created. Among many others, the main investors in this region are: PZL Mielec, Goodrich Corporation, BRW, Kronospan Mielec, Lear Corporation, Alumetal Gorzyce, ATS Stahlschmidt & Malworm, Baltic Wood, Nowy Styl.

Two international routes **E-371** and **E-40** run through the Podkarpackie voivodeship. The former from Warsaw via Rzeszów leads to Slovakia; the latter from Germany via Wrocław, Cracow and Rzeszów to Ukraine. The total length of national roads within this area (**No. 4, 9, 19, 28, 73, 77, 84**) is 719 km and provincial roads 1632 km. A very important communication element for the voivodeship is the International Airport Rzeszów-Jasionka and the LHS railway route enables and facilitates business cooperation between Ukraine and Russia.

The administrative capital of the Podkarpackie is the city of **Rzeszów**. Inhabited by 181 thousand inhabitants, it is the 21st most populated city in Poland and 20th in terms of the city's area. The predominant economic sectors are: **food, textile, construction** and **furniture manufacturing**. The most impressive success of the city is the dynamic development of the aviation sector. It is here, in Rzeszów, where the Aviation Valley Association has its seat.

It is also home to the Podkarpacki Park of Science and Technology targeted at high-tech industries (aviation and pharmaceutical). Young people in the city have easy access to tertiary education with two big academic institutions: **the University of Rzeszów** and **Technical University of Rzeszów** (Politechnika Rzeszowska im. Ignacego Łukasiewicza) and one of the biggest non-public schools in the Macroregion: **University of Information Technology and Management**. In Rzeszów the following companies have located their head offices: Zelmer, General Electric Corporation, WSK PZL Rzeszów, ICN Polfa Rzeszów, Asseco Poland, Handloplex and Makarony Polskie (Polish Noodles).

Chapter II

Presentation of the Macroregion Eastern Poland



1. Political and legal environment in Poland



1.1. Poland's political and legal system

The grounds for political and socioeconomic system of Poland are defined by the Constitution of 2 April 1997 adopted by the National Assembly of Poland and approved by national referendum. According to the Constitution, Polish political system is based on the principles of sovereignty of the nation, democratic state of law, political pluralism, subsidiarity and territorial self-government. It is based on a separation of powers. Legislature is vested in the two chambers of parliament, the Sejm and the Senate. Executive power is exercised by the President and the Council of Ministers, while the judicial branch is vested in courts and tribunals. There are also five authorities outside a separation of powers rule: **the Supreme Chamber of Control of the Republic of Poland, Polish**

Ombudsman the National Broadcasting Council, the Ombudsman for Children and Inspector General for Personal Data Protection.

1.1.1. Sejm of the Republic of Poland

The Sejm plays a legislative, control and creative role. The legislative function is expressed by the ability to adopt acts (also amendments to the Constitution). A bill may be submitted by a group of 15 deputies, the Sejm's Committee, the Senate (Polish: Senat), the President, the Council of Ministers and a group of 100 thousand citizens. In the Sejm resolutions are passed by a simple majority of votes. Next, the Senate has

30 days to decide about it. The adopted resolutions are signed by the President who then orders their announcement in the Journal of Laws. The controlling role of the Sejm focuses on assessment of governmental administration activity with its fundamental instrument being the granting of confidence or non-confidence vote. The creative function is to establish legal grounds for the operation of public institutions and to hire personnel to fill the posts indicated in the Constitution and the acts.

1.1.2. Executive power: the President and the Council of Ministers

The executive power in Poland is held by the President and the Council of Ministers. Current President (since 2010) is **Bronisław Komorowski**. The President is the highest representative of the Republic of Poland and a guarantor of continuity of state authority. The President watches over the observance of the provisions of the Constitution, protects the state's sovereignty, inviolability and indivisibility of its territory.

The Council of Ministers consists of the Prime Minister, ministers and Deputy Prime Ministers as Poland has adopted a mix of

Democratic elections

By way of universal, direct, equal, proportional and secret ballot, the citizens elect 460 deputies to the Sejm and 100 senators to the Senate, the President of the Republic of Poland, authorities to territorial self-government (commune councils, poviats councils and voivodeship 'sejmik'), but also municipal authorities (vogts, mayors and presidents of the cities). All citizens who are 18 years old or more and have not been deprived of their elective rights under a court judgment, have a right to vote. The right to become a candidate is restricted by required candidacy age for respective post, i.e. 35 years old for presidential elections.

parliamentary and cabinet system. The Council of Ministers must have parliamentary majority, therefore the head of the government is usually also the head of the winning political party (since November 2007: **Donald Tusk**). The Council of Ministers manages internal and foreign policy, manages government administration, ensures the execution of law, coordinates the work of administrative bodies, protects the interests of the State Treasury, approves state budget drafts and supervises the execution thereof, manages international relations and state defense.



1.2. Government administration

All bodies of government administration such as organizational, personal and functional are subject to executive authority – the Council of Ministers or to be precise, the government which consists of:

- **the Prime Minister** who is the official head of government administration personnel,
- **Deputy Prime Ministers** (vice-presidents of the Council of Ministers),
- **ministers,**
- **chairmen of the State Committee for Scientific Research and the Committee for European Integration,**
- **organs of central government administration subordinate to the Prime Minister and the Council of Ministers.**

The structure of government administration in Poland is quite complex and divided into 28 (as of 08 September 2012) departments pursuant to the Act on Divisions of Governmental Administration of 04 September 1997 as amended.

Some of the departments named in the said act include:

- public finance,
- maritime economy,
- education,
- civil defense,
- agriculture,
- tourism,
- environment,
- internal affairs.

The act defines the subject and object scope of each department's obligations.

1.2.1. Internal structure

Each department of government organization is managed by a one-person supreme state authority – **a minister** to whom a given department is entrusted by the Prime Minister, immediately after the government is appointed. Usually one minister manages more than one department of government

administration (number of ministers varies). The act of 8 August 1996 on the Council of Ministers states clearly that a minister as one person, executes his/her competences, manages, supervises and controls government administration units inferior to his/her power and is supported in this by **secretary of state, undersecretary of state** (also called 'vice-ministers'), political cabinet and **director general of departments**. Apart from ministers managing government administration departments also the so-called ministers without portfolio may be appointed. These are ministers fulfilling the tasks assigned to them by the Prime Minister, i.e. secret service minister or minister – legislative coordinator.

1.2.2. Organizational units of government and territorial administration

Divided into departments, government administration tasks are completed by various organizational units of central government administration acting nationwide and territorial government administration, acting within specific territorial units.

1.2.2.1. Central government administration units:

- **ministry** is an office serving the minister who manages a particular department of government administration. Pursuant to Article 39 of the Council of Ministers Act, ministries are established, dissolved and transformed by the Council of Ministers whilst the Prime Minister provides every ministry with a statute which defines its structure in detail.
- **central offices** that along with ministries create central units of central government administration, their executive powers covering the entire territory of the Republic of Poland. They are most commonly brought to life by act of law that decides whether a particular office is subject to the Council of Ministers, the Prime Minister or a specific minister.

1.2.2.2. Territorial government administration

It is focused around a voivode, being a representative of the Council of Minister. Poland has got sixteen voivodeships and respectively, the same number of voivodes. Among many others, territorial government administration includes services, inspections and agencies subordinate to the voivode (e.g. voivodeship police headquarters and voivodeship road transport inspectorate). Besides, within the state administrative division there are units of special administration subject to central administration authorities (i.e. internal revenue offices and offices for internal revenue control).

1.3. Self-government administration

Eastern Poland administration is not any different from the rest of the state. Public administration in Poland is divided into two parts: government administration and self-government administration. The administrative reform of 1998 introduced a new administrative division with a three-level territorial self government. Apart from territorial government administration, public administration within the voivodeship, poviats and communes is performed by local government units, governed by acts on local self-government.

1.3.1. Principles governing the local self-government in Poland

There is no hierarchical subjectivity between particular units of territorial self-government. Each unit has to complete tasks defined by the act of law into which superior units are not supposed to interfere. The units of local self-government **are accountable for the public actions they perform, and do so on their own behalf.** Every local self-government unit has its legal personality and independence that is under judicial protection. A local self-government

What is local self-government in Poland?

It is a union of local community brought to life by law, organizationally and legally separate within the state's structure, established for independent performance of public administration and furnished with financial means that enable implementation of assigned tasks.

Main legal acts for territorial self-government:

- **Act of 23 March 1933 (the so-called consolidation bill),**
- **the European Charter of Local Self-Government drawn up in Strasbourg and ratified by Poland on 23 April 1993,**
- **Act of 8 March 1990 on municipal self-government,**
- **Act of 5 June 1998 on poviats self-government,**
- **Act of 5 June 1998 on voivodeship self-government,**
- **Act of 24 July 1998 on introducing rudimentary three-level territorial division of the state.**

unit may be not only the entity of public-law, but also that of civil law (perpetual usufruct, leasing, etc.).

Local self-government units make **declaration of will**, e.g. declaration of will on behalf of a commune concerning property management is submitted by one person only: the voigt. Some issues, such as taking a long-term loans or setting the ceiling for liabilities incurred by the voigt, require approval of the resolution-passing authority.

1.3.2. Commune

Commune (municipality) is a basic unit of local self-government. It acts according to the principle of presumption of competence. Communes are supposed to consist of small communities so that they can truly represent and act on behalf of the commune's residents. In practice, the demographic and economic potential of Polish communes varies hugely.

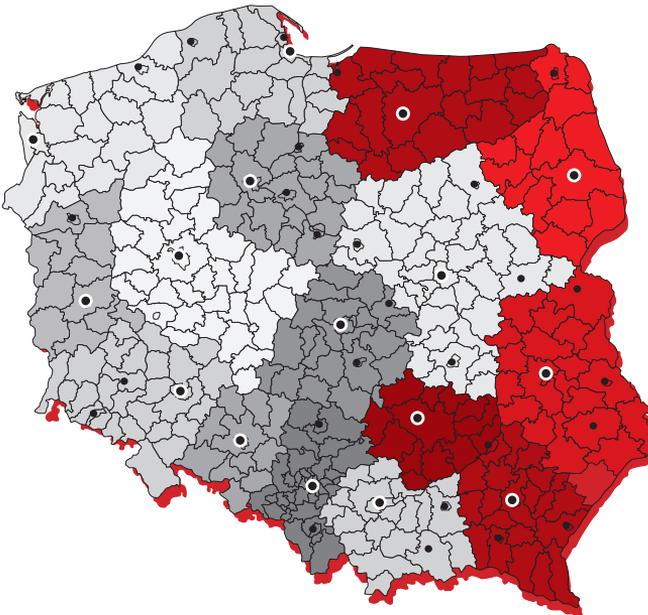
The competence of poviats self-government covers the following areas:

- social assistance,
- collective transport and poviats public roads,
- culture and protection of monuments,
- land survey, cartography and land registry and cadastre,
- architectural-construction administration,
- water management, environment and nature protection,
- unemployment prevention and local employment market animation,
- consumer's rights protection.

Poland has two categories of municipal self-government: rural and urban municipalities.

- **rural communes** are usually, small units created in rural areas. The **council** is a resolution-passing authority within rural municipality with the **vogt** being the executive power and commune's office providing customer service
- **urban communes (townships)** are distinguished by the fact that seats of councils are located in a town or city. Municipal council is a decisive authority and the mayor (Polish: burmistrz) holds executive powers. Customers are handled by commune/ town council offices.
- **City counties (town poviats)** – are special type of municipality. Besides fulfilling their municipal tasks, they also perform poviat duties. A city or **town council** is a resolution-passing authority with a city mayor performing the executive role. The city county has a greater number of deputies in comparison to rural and urban communes.

MAP 1. Poviats of Poland



1.3.3. Poviat

It performs public duties defined by relevant acts, and is a superior organ to communes (municipalities).

A very special task of poviat is ensuring that the tasks and obligations defined by the law of poviat agencies and inspecting bodies are executed, all of which act under supervision of the starost (Polish: starosta) such as poviat police headquarters and construction supervision inspectorate.

Poland has got **two categories of poviats: rural and urban**. The poviat council has a decisive voice here, the board, presided by the starost has executory power and the starost's office provides customer service.

1.3.4. Voivodeship

It fulfills tasks of voivodeship nature that have not been regarded by law as duties of government administration. Its aim is to establish strategy for development and its implementation as well as international cooperation for which the 'sejmik' sets Priorities for international cooperation of the voivodeship. The aforementioned 'sejmik' is a decisive authority for the voivodeship, the board led by a marshal of the voivodeship (Polish: marszałek województwa) is the executive power and the marshal's office serves customers. If justified reasons of the state arise, the commenced tasks are transferred to units of local self-government by way of a legal act (e.g. preparation, performance and management of elections or referendum).

Tasks to be performed to the benefit of communes

It is assumed that self-government tasks are a municipal duty. Objectives for poviats and voivodeship must be clearly defined by acts of law which add to the completeness of tasks fulfilled by a particular municipality. The poviats perform actions of over-municipal nature, and the voivodeship such actions for its area which are not defined by law as to be performed by government administration authorities.

Examples of municipal tasks:

- issues of special order,
- municipal roads, streets, bridges, squares and road traffic management,
- water plant and water supply,
- municipal sewage system,
- sanitary appliance and equipment,
- electric, heat and gas power supply,
- collective local transport.

Voivodeship development policy

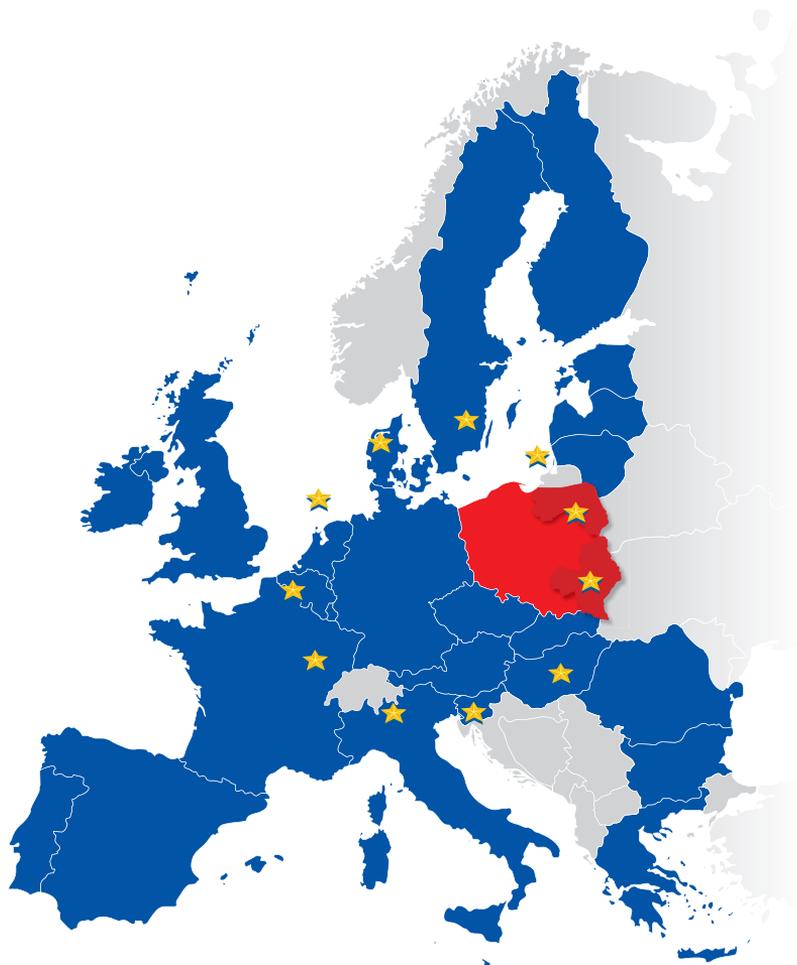
Among many other, it consists of:

- creating conditions for economic development including activation of employment market,
- maintenance and advancement of social and technical infrastructure at voivodeship level,
- reasonable use of natural resources and environmental sustainability,
- supporting the progress of science and mutual links between economy and science,
- favouring technical advancement and innovations,
- promotion of assets and potential of the voivodeship.

MAP 2. Voivodeships of Poland



Source: Own compilation based on the administrative reform of Poland dated on 1 January 1999.



1.4. Poland in the EU, Europe and in the world

1.4.1. Poland and the Eurozone

The term 'Eurozone' defines a group of the EU member states in which the euro is used as a legal tender. Accepting common currency within the European Union results from the establishment of the economic and financial union. Being a member state,

Poland has not joined the Eurozone. The full accession to the said union depends on the fulfilment of a number of accession criteria and among them, certain legal and institutional provisions stated in relevant treaties.

Among many others, the objectives of the economic and financial union include economic policy based on strict coordination of national economy politics – parallel to one currency (Euro) functioning and harmonized financial as well as a common financial policy and currency exchange policy,

whose main aim is to maintain stable prices.

All member states of the EU (except for Great Britain and Denmark) are obliged to accept Euro as their currency. Both the Commission and the European Central Bank assess whether convergence criteria have been fulfilled or not.

In January 2012 Poland complied with one of the convergence criteria concerning interest rates. The average long-term interest rate for the last 12 months was 5.9%, that is by 1.8% lower than the 7.7% reference value. However, fiscal criteria have not been met on account of the budget deficit exceeding the reference value of 3% – in 2011 the deficit amounted to 5.6%, while in 2012 – 2.97% GDP. Public debt reached 53.5%. Poland has failed to meet the criterion of currency stability. Poland's failure to fulfill the convergence criteria was to a great extent owed to the economic crisis.

1.4.2. Poland in international organizations

Poland is a member of many international organizations, yet some memberships were possible only after the period of political transformation of 1989.

1.4.2.1. United Nations (UN)

Being one of its founders, Poland has supported the UN initiatives for demilitarization, decolonization or fight against racism. Poland was the author of numerous convention drafts, such as the Convention on the Rights of the Child and significantly contributed to the preparation of the Nuclear Non-Proliferation Treaty. In the 1990's, Poland submitted a great number of initiatives concerning human rights, fighting international organized crime, as well as reforms of the United Nations itself. In 1996, it was elected as a non-permanent member of the UN Security Council for the fifth time.

Poland's accession to the European Union

On 1 May 2004, Poland became a member state of the European Union with all consequences of this membership. Poland is considered as one of large states in the European Union. The key events for strengthening Poland's position in the European Union:

- effective organizational initiatives (i.e. Eastern Partnership),
- constructive participation in the EU decision-making process (without abusing the veto right),
- increase of competitiveness of Polish economy (maintaining economic increase in times when most European countries recorded negative values has appeared to be a major success of Polish economy).

Joining the Eurozone requires fulfillment of four convergence criteria:

1. **currency stability criterion** – a minimum two-year participation in the European Exchange Rate Mechanism (ERM II), positive assessment from European Central Bank and prohibition of arbitrary devaluation of national currency – maximum acceptable rate of fluctuation is +/-15% deviation from central rate;
2. **high degree of price stability** – not exceeding 1.5% in the year preceeding an assessment; this will be apparent from a rate of inflation which is close to that of, at most, the three best performing Member States in terms of price stability;
3. **interest rate criterion** – no more than 2.0% higher, than the unweighted arithmetic average of the similar 10-year government bond yields in the 3 EU member states with the lowest HICP inflation (having qualified as benchmark countries for the calculation of the HICP reference value);
4. **fiscal criterion** – a member state must not be subject to an excessive debt procedure (EDP), indices for the sector of state and local government institutions must not be exceeded – must not be higher than 3% GDP, public debt must be no more than 60% of GDP.





1.4.2.2. European Convention on Human Rights

In 1991, in the year of being accepted as a member of the European Council, Poland adopted the European Convention on Human Rights of 1950 which is supervised by the European Court of Human Rights with its seat in Strasbourg.

Since 1 May 1993, people who think their rights under the convention have been violated in the territory of the Republic of Poland may file individual claims to the Tribunal.

Poland has ratified a number of other conventions of the European Council, i.e. European Charter of Local Self-Government and European Social Charter. It was in October 2010 when the first Pole was elected to the post of Secretary General of the Council of Europe.

1.4.2.3. European Community

Poland has been making endeavours to be accepted into the European Community since 1989. A lengthy negotiation process was completed in December 2002 during the Copenhagen Summit. On 16 April 2003 in Athens, the Treaty of Accession was signed and on 7-8 June 2003, a referendum was held in Poland. The accession of Poland to the EU gained over 75%-approval of all those who cast their vote in the referendum, consequently, on 1 May 2004, Poland became a member of the European Union.

In 2011 (June-December) Poland held the Presidency of the European Union for the first time.

1.4.2.4. The North Atlantic Treaty

After the Warsaw Treaty had been dissolved, Poland started its attempts to join the North Atlantic Treaty. The accession talks were completed on 16 December 1997 by signing the Accession Protocol in Brussels. On 12 March 1999, Poland became a fully-fledged member of the North Atlantic Treaty.

1.4.2.5. Organization for Economic Cooperation and Development (OECD)

Organization for Economic Cooperation and Development (OECD) was established in 1961 on the grounds of the so-called Paris Convention (transformed from the Organization for European Economic Cooperation (OEEC)). It is one of the most important economic organizations in the world that gathers highly developed countries. Its objective include achieving a sustainable economic growth in each member state through creating the best conditions for its economic advancement and at the same time, raising



standards of living of their citizens as well as assuring financial stability and assistance for poor countries. Poland commenced cooperation with the OEC in 1990 and became its member in 1996.

1.4.2.6. World Trade Organization (WTO)

Poland was one of the founding states of the WTO and in 1995 it ratified an agreement in that regard. Its basic aim is liberation of the international trade, lowering of customs amounts and pro-trade investment policy.

1.4.2.7. International Bank for Reconstruction and Development (IBRD)

International Bank for Reconstruction and Development has its seat in Washington D.C. Poland joined it in 1986 and it is represented by the President of the National Bank of Poland (currently: Professor **Marek Belka**). Until 1996, Poland was granted funds from the Bank aimed at assisting in the process for transformation and adoption of rules of free market. The Bank's role may be described as financing projects on irrigation and urbanization.

1.4.2.8. International Monetary Fund (IMF)

The International Monetary Fund – was established in 1944. Poland has been its member since 1986.

The organization's objectives are: support for global monetary cooperation, securing the stability of currency exchange rates, monitoring international debt of its member states and supporting global trade growth.

1.4.2.9. Council of the Baltic Sea States

The organization has existed since 1992. Poland is a member of this regional forum for regional intergovernmental cooperation of the states of the Baltic Sea basin. Apart from Poland, the member states of the organization are: Denmark, Estonia, Finland, Latvia, Germany, Norway, Russia and Sweden. The organization is to reinforce safety and stability in the region through joint actions related to environmental protection, fishing, the Baltic Sea resources protection or energetics areas.

1.5. Judicial power



Principles essential to court operation:

- courts independence,
- judicial independence,
- right to fair trial and for defense,
- at least two-tiered structure of the judiciary system,
- unification (the same system of courts applies to the whole state),
- transparency of trial,
- principle of contradiction,
- principle of citizen participation in the execution of system of justice (the jury).

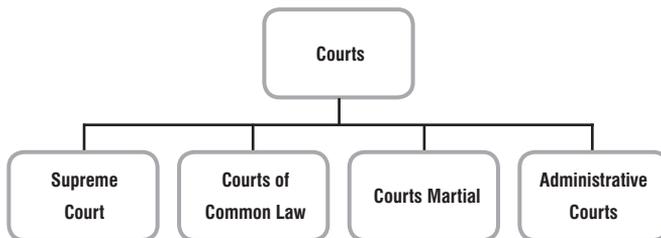
1.5.1. Structure of the courts in Poland

1.5.1.1. Common courts of law

These are the courts of general character, meaning such courts to which we turn to in the event when acts of law do not refer a particular issue to any other court. At the moment in Poland there are three tiers of common courts of law: **provincial courts, district courts and courts of appeal.**

The provincial court is created for municipalities or their parts. Within its structure it

CHART 1. Judicial power in Poland



may have separate departments, such as criminal, civil, employment court, family court and commercial court. It deals with cases of the first instance. **District courts** are courts of next instance and they consider appeals from judgments issued by provincial courts and adjudicate on intricate and more serious cases of the first instance. **The courts of appeal** recognize appeals from district courts judgments. Similarly to provincial and district courts, also courts of appeal are divided into departments.

1.5.1.2. Administrative courts

Judicial control of public administration is their function. They consider claims of judgments in administrative proceedings, claims for provisions of legal acts of local law and supervise actions of territorial self-government. It is a two-instance system: apart from the **Main Court of Administration** which is an institution for appeals, there are also voivodeship courts of administration.

1.5.1.3. Courts martial

These are the courts that deal with crimes committed by soldiers in service and some crimes committed by civil officials of the army as well as soldiers of military forces. Their structure comprises of **garrison courts** acting as a first-instance judicial institution and **military district courts** that serve as appellate institution. The cassation of judgments are considered by the Supreme Court.

1.5.1.4. The Supreme Court

It exercises a power of supervision over judgments issued by common courts of law and courts martial, it provides the correct interpretation of the laws and issues opinions on drafts of acts of law. These objectives are implemented mainly through recognition of preventive measures and passing resolutions aiming at clarifying legal provisions.

1.5.2. Tribunals

They are the other part of judicial power which comprises of the **Constitutional Tribunal and the State Tribunal**. The former controls conformity of lower-level norms to the Constitution. But it considers other cases too, e.g. adjudicates on validity of constitutional claims or considers competence disputes.

The latter, the State Tribunal, executes constitutional responsibility in the meaning of specific violation of law, implemented by the Parliament's initiative with regard to officials working at the top offices of the state.

Poland in the European Union

After Poland's accession to the European Union, Polish courts are obliged to apply the EU law. The state is also subject to judgments of EU judicial institutions: the Court of Justice and the Court of First Instance.

1.6. Finance, banking and stock exchange

1.6.1. Banking

The structure of Polish banking system is two-level, consisting of a Central Bank and commercial banks.

The Polish market operates **within international banking system**. The inflow of international investments to Polish banking, resulted in quick improvement in quality and quantity of banking services. Financial products and services offered on Polish market are comparatively of the same quality as in the states of the European Union. The pri-

mate capital has increased competitions between banks caused increase in supply of capital on the market and enforced changes that adjusted Polish financial institutions to standards of the world's market (i.e. electronic banking). Currently, a dominating trend aims at improvement of the stability of financing sources accompanied by risk minimization.

1.6.1.1. Polish Financial Supervision Authority (Polish: KNF)

Polish Financial Supervision Authority was established by the Financial Market Supervision Act of 21 July 2006. Implementation of the Act enabled the KNF to overtake the competence so far performed by the Polish Securities and Exchange Commission, Polish Insurance and Retirement Funds Supervision Authority, Polish Banking Supervision Authority and General Inspectorate of Banking Supervision.

The KNF is the public administration authority which has national supervision over financial market in Poland and aims at ensuring the correct operation of this market, its stability, security, clarity and in consequence, confidence in it. The **Polish Financial Supervision Authority** consists of the Chairman, two Vice-Chairmen and 4 members (the representatives of the Minister of Finance, Minister of Labour and Social Politics, President of National Bank of Poland and President of the Republic of Poland). The executive body is **Office for Polish Financial Supervision Authority (Polish: UKNF)**, while the KNF is supervised by the **Prime Minister**.

1.6.1.2. The Warsaw Stock Exchange (Polish: GPW)

This is a public institution tasked with providing an opportunity to trade securities (shares, bonds, subscription rights, allotment certificates, etc.) admitted to exchange trading. The exchange is regulated by the Act of 29 July 2005 on financial instruments

Basic functions of banks:

- money creation (central banks)
- decentralized 'IOU' creation as credit and payment instruments (banks of commerce)
- financial intermediation between money owners

Banks of commerce functions:

- **economical: transforming passive money (savings) into active money (investments) resulting in capital growth**
- **accounting-operational: keeping and operating of company accounts**
- **service: creating of brokerage houses through which banks offer securities on primary market, keep securities accounts of their customers, sell and purchase shares, bonds and other financial instruments on their behalf**



trading, public offer, conditions for introducing financial instruments to organized trading system, public companies and capital market supervision together with internal regulations for the Stock Exchange. The Warsaw Stock Exchange is a joint stock company founded by the State Treasury that currently holds 35% of the Company's share capital. In November 2010, the investors recorded a successful privatization of the Warsaw Stock Exchange (public offer value amounted to PLN 1.2 billion/ EUR 304 million). The Stock Exchange is one of the most dynamic European markets and has a leading position as it comes to the number of stock market debuts – it ranks 3rd, to be accurate, with pooled IPO values, giving way only to London and Madrid Stock Exchange. It is also worth mentioning that Polish stock exchange market set a record of the biggest public offer of 2009 which was the privatization of PZU, one of the largest Polish insurance companies, and the bank PKO BP came 2nd in the ranking.

The Warsaw Stock Exchange deals with financial instruments of the three markets:

- **the Main Market** of the Warsaw Stock Exchange which is a regulated market supervised by the Polish Financial Supervision Authority;

The Polish Financial Supervision Authority tasks:

- **financial market supervision,**
 - **actions regulating correct functioning in financial market,**
 - **financial market development and control,**
 - **information and education actions concerning financial market functioning,**
 - **preparation of drafts for acts of law with regard to financial market supervision,**
 - **dispute-solving arising between financial market participants.**
- **NewConnect** a market acting in a form of an alternative trading system created for the newly-established and developing companies that deal especially with new technologies (since 2007);
 - **Catalyst** promissory note market (commune and corporate bonds and mortgage bond) which comprises of two trading platforms in the formula of regulated and alternative trading system. It was established in September 2009.
- The trading in the Stock Exchange is performed through brokerage houses or banks with brokerage activity. Regardless of the type of instrument and quotation system, one piece forms a transaction unit. Financial

TABLE 1. **Financial instruments on the GPW**

Financial instruments on the GPW	
Cash	Structured products, ETFs
shares	derivative contracts
allotment certificates	divisions (into shares and indexes)
rights issue	index units
preference right	
bonds	
investment certificates	

Source: Own compilation based on the GPW data.

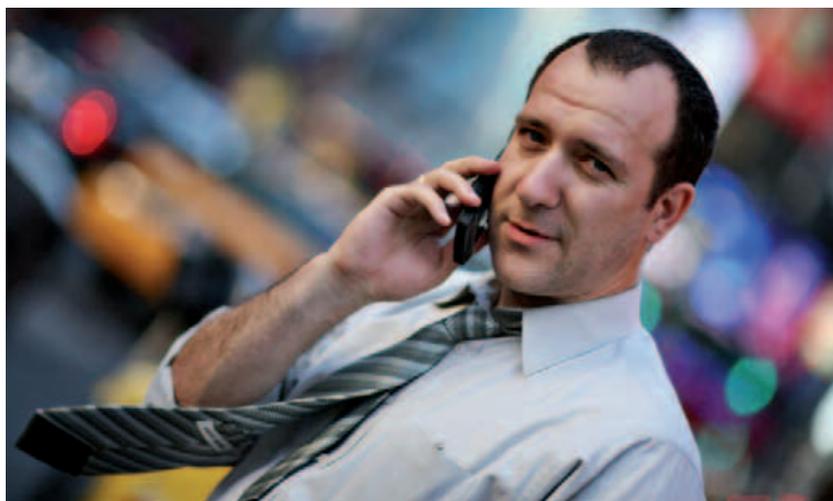


TABLE 2. The Warsaw Stock Exchange (GPW) Indexes

Price		Income		Other
GPW Main Marke	the whole market	GPW Main Market	NewConnect	Customized
		sector		
WIG20 The index of 20 the biggest and the most financially fluent stock-listed companies			NCIndex Benchmark: includes shares and allotment certificates of all companies on this market	DWS-MS
mWIG40 The index of 40 average stock-listed companies	WIG The index of all stock-listed companies	WIG-banks Bank companies index		
sWIG80 80 small stock-listed companies index	WIG-PL National stock listed companies index	WIG-budownictwo Construction companies index		
Wig-Plus Index of the smallest listed companies	WIGdiv Index of high liquidity companies RESPECT Index of companies which excell at respecting high management standards	WIG-chemia Chemistry sector index		
		WIG-deweloperzy Development companies index		
		WIG-energia Energy companies index		
		WIG-informatyka IT companies index		
		WIG-media Media companies index		
		WIG-paliwa Fuel companies index		
		WIG-spożywczy Food companies index		
		WIG-telekomunikacja Telecommunication companies index		

instrument trading is performed at one of the two markets: **primary and secondary market in continuous or non-continuous quotation system**. Investors are obliged to pay a 19% tax, the so-called double tax. Foreign

investors fall under the same provisions as national investors, however, the former also have respective double taxation conventions. Benchmarks are the basic pattern for investment evaluation. [TABLE 2].

TABLE 3. **The GPW potential**

Number of instruments	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
companies (total)	225	230	216	203	230	255	284	351	374	379	400	426	436
foreign companies	-	-	-	1	5	7	12	23	25	25	27	39	42
debutants	13	9	5	6	36	35	38	81	33	13	34	38	16
withdrawals	9	4	19	19	9	10	9	14	10	8	13	12	6

Source: Own compilation based on the GPW data as of November 2012.

TABLE 4. **Capitalization of the Stock Exchange entities (as of November 2012)**

Primary market	Domestic companies	Foreign companies	Overall
number of companies	394	42	436
capitalization (in million PLN)	488 855.88	204 726.09	693 581.97

Source: Own compilation based on the GPW data as of November 2012.



2. The Macroregion Eastern Poland Market

2.1. Gross Domestic Product

Participation of Eastern Poland in Gross Domestic Product is quite stable. For 10 years, the changes have not been significant. The amount of Gross Domestic Product produced in the Macroregion in 2010 was 15.28% of the total Gross Domestic Product for Poland.

In 2010 the Lubelskie Voivodeship gained the highest value of the GDP (3.81%) with the Podlaskie as the lowest (2.30%).

Within the years of 2000-2010, GDP has been continuously increasing. All voivodeships recorded positive economic growth rate, exceeding 5.5% (growth was slower only for the Warmińsko-Mazurskie Voivodeship).

TABLE 5. Participation of Eastern Poland in the GDP production within 2000–2010 (current prices)

	Poland (in mln PLN)	Eastern Poland (in mln PLN)	Eastern Poland's participation (in %)
2000	744 378	117 702	15.81
2001	760 595	120 862	15.89
2002	781 112	123 628	15.83
2003	816 080	130 175	15.95
2004	924 538	144 807	15.66
2005	983 302	151 563	15.41
2006	1 060 031	162 231	15.30
2007	1 176 737	179 482	15.25
2008	1 275 432	197 287	15.46
2009	1 344 074	206 853	15.39
2010	1 415 429	216 277	15.28

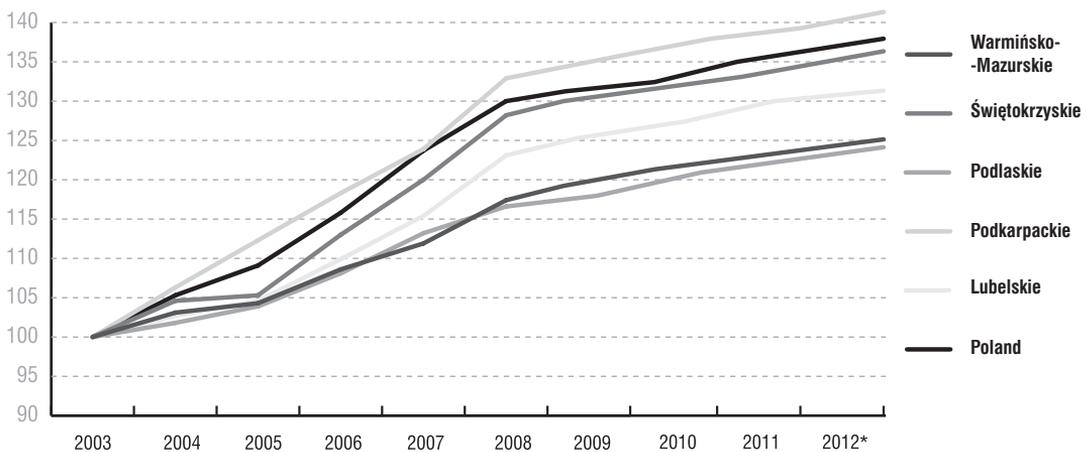
Source: Own compilation based on data of Central Statistical Office

TABLE 6. Participation of the Eastern Poland Voivodeships in the GDP production within 2000–2010 (in %, current prices)

Year	Eastern Poland	Lubelskie	Podkarpackie	Podlaskie	Świętokrzyskie	Warmińsko-Mazurskie
2008	15.46	3.93	3.79	2.28	2.67	2.77
2009	15.39	3.87	3.72	2.29	2.70	2.81
2010	15.28	3.81	3.63	2.30	2.71	2.83

Source: Own compilation based on data of Central Statistical Office

CHART 2. Cumulative economic growth rate in the Eastern Poland Voivodeship within 2003–2012*
(2003=100, fixed prices)



*) estimated data

Source: Own compilation based on data of Central Statistical Office

Average annual rate of economic growth enabled voivodeships to achieve in 2012 GDP growth of more than 65% in comparison to 2000. The Świętokrzyskie is an absolute record-breaking voivodeship – it recorded a 77.6% GDP increase within last decade.

The GDP per capita in the Eastern Poland voivodeships achieved the value of over PLN 24 thousand (current prices) while

the Świętokrzyskie shows the greatest increase of GDP in the amount of over PLN 28.2 thousand [CHART 2].

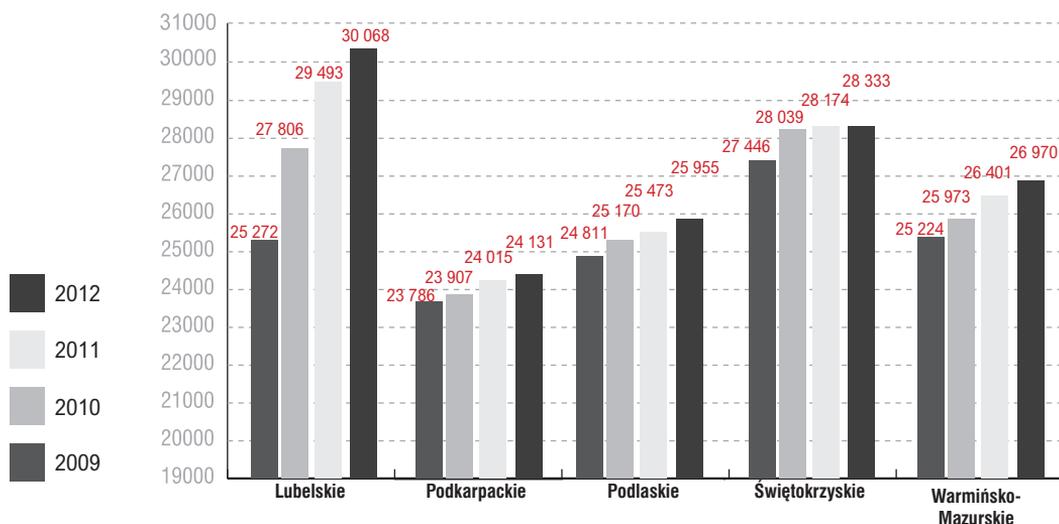
Within 9 years, the GDP per capita has been systematically growing. Among the Eastern Poland voivodeships, the Świętokrzyskie recorded the best result (growth of PLN 11 680) and the Podkarpackie – the weakest (growth PLN 9 527).

TABLE 7. Cumulative GDP growth rate, overall and per capita, in the Eastern Poland in the years of 2000–2012
(2000=100, in %)

	Lubelskie	Podkarpackie	Podlaskie	Świętokrzyskie	Warmińsko-Mazurskie
Year 2000 = 100					
total	162.79	166.33	159.28	166.83	158.76
per capita	185.40	168.50	173.70	177.60	173.80

Source: Own compilation based on data of Central Statistical Office

CHART 3. GDP per capita in the Eastern Poland's Voivodeships in the years of 2007–2012 in PLN (current prices)



Source: Own compilation based on Statistical Office data

Also the growth of real income has been observed [TABLE 8.]. These figures demonstrate output market expansion in these voivodeships. In the period of 2000–2010, this income per one inhabitant grew at over 20% (frequently greatly), in majority of the voivodeships of the macroregion exceeding the country's cumulative growth rate. The

biggest increase has been noted for the Lubelskie Voivodeship (the income in 2010 grew by 32.8% in comparison to 2000) followed by the Podlaskie (increase of 30%), the Świętokrzyskie (increase of 27.2%), Warmińsko-Mazurskie (26.4%) and Podkarpackie (increase of 19.1%).

TABLE 8. Growth in real gross disposable income per capita in Eastern Poland voivodeships in 2000–2010

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	preceding year = 100									2000=100
Poland	102.6	100.3	101.3	102.3	101.5	104.8	104.8	104.2	103.4	101.8
Lubelskie	104.3	100.7	102.4	102.2	100.7	105.0	106.0	104.2	101.7	103.7
Podkarpackie	101.7	99.4	101.8	101.1	101.9	105.3	104.6	103.6	100.9	99.6
Podlaskie	105.6	99.5	100.9	105.6	100.1	105.7	104.2	103.0	104.0	100.4
Świętokrzyskie	101.2	102.1	104.2	101.7	100.4	105.9	104.7	103.8	99.9	102.0
Warmińsko-Mazurskie	99.7	99.9	104.1	104.3	101.6	104.8	103.7	103.7	102.2	101.9

Source: Own compilation based on data of Central Statistical Office

2.2. Work efficiency rate

In the Eastern Poland region the work efficiency was growing at a double digit rate in the period 2005–2008. However, in 2011 a decline in the work efficiency rate was recorded, causing a slight decrease in the value added growth. In 2005–2011 the gross value added per one working person showed the biggest increase in the Świętokrzyskie Voivodeship, with 26.9% growth, followed by Lubelskie (24%), Podkarpackie

(24%), Podlaskie (18.8%) and Warmińsko-Mazurskie (18.6%) voivodeships. The Eastern Poland Macroregion indicates great abilities for economic entities development in the service and industry sectors. Additionally the Macroregion features a high participation of the natural resources sector in added value production.

The participation of industry in three voivodeships of Eastern Poland (the Podlaskie, the Lubelskie and Warmińsko-Mazurskie) is less than the average for the whole Poland and as far as the services

TABLE 9. **Gross value added per 1 working person of the Eastern Poland's voivodeships in 2006–2011**

	2006	2007	2008	2009	2010	2011
	2005=100					
Lubelskie	105.4	114.4	123.2	128.0	133.1	130.7
Podkarpackie	105.7	112.0	119.9	124.6	129.6	131.1
Podlaskie	106.1	115.0	117.5	122.1	127.0	126.0
Świętokrzyskie	107.9	117.5	127.0	132.0	137.2	137.0
Warmińsko-Mazurskie	104.5	110.1	114.5	119.0	123.7	124.0

Source: Own compilation based on data of Central Statistical Office



sector is concerned, it is close to the country's average. A relatively lower level of industrialization and services in Eastern Poland economy provides a golden opportunity for the development of enterprises (including foreign ones), which by using their intellectual and technological capital based on the regions' potential, may achieve the economic success.

2.3. Prices

Consumer price index (measuring the changes in the price level of consumer

goods and services purchased by households) in Eastern Poland region remains roughly at the same level as the country's CPI. Within the last years (1 half of 2011) the prices of consumer goods increased by 4.2% comparing to the same period in the previous year. In 2010, for the Eastern Poland voivodeships, the strongest growth was recorded in the Warmińsko-Mazurskie (3.1%) and the Podkarpackie (3.2%). The most insignificant increase was observed in the Lubelskie Voivodeship (1.8%).

TABLE 10. **Gross value added structure by sector of economic activity in the Eastern Poland's voivodeships in 2005 and 2010**

Voivodeship Years	Total	Agriculture, hunting and forestry; fishing	Industry	Construction	Trade and repairs; hospitality; transport, warehousing and communications	Financial agency services; real estate and company services	Other services
Poland							
2005	100.0	4.5	24.2	5.8	30.5	11.0	23.9
2010	100.0	3.7	23.9	8.0	29.5	10.1	24.0
Lubelskie							
2005	100.0	7.5	28.6	below the national average	below the national average	below the national average	26.5
2010	100.0	7.4	30.1				27.4
Podkarpackie							
2005	100.0	below the national average	27.6	5.5	below the national average	below the national average	25.3
2010	100.0		27.0	8.3			25.8
Podlaskie							
2005	100.0	12.0	below the national average	below the national average	below the national average	below the national average	25.5
2010	100.0	10.4					25.8
Świętokrzyskie							
2005	100.0	6.4	23.0	7.4	below the national average	below the national average	below the national average
2010	100.0	5.1	26.1	10.4			
Warmińsko- Mazurskie							
2005	100.0	8.7	below the national average	below the national average	below the national average	below the national average	24.8
2010	100.0	8.2					25.0

Source: Gross national product – Regional accounts in 2010

TABLE 11. **Consumer price index for goods and services in the Eastern Poland's voivodeships in 2006–2010 (the same period as in preceding year = 100)**

	Poland	Lubelskie	Podkarpackie	Podlaskie	Świętokrzyskie	Warmińsko-Mazurskie
2006	101.0	100.8	101.3	100.9	101.1	100.6
2007	102.5	102.3	102.7	102.3	102.7	102.3
2008	104.2	104.2	104.4	104.3	104.5	104.3
2009	103.5	103.3	103.9	103.2	103.8	103.3
2010	102.6	101.8	103.2	102.3	102.6	103.1

Source: Own compilation based on data of Central Statistical Office

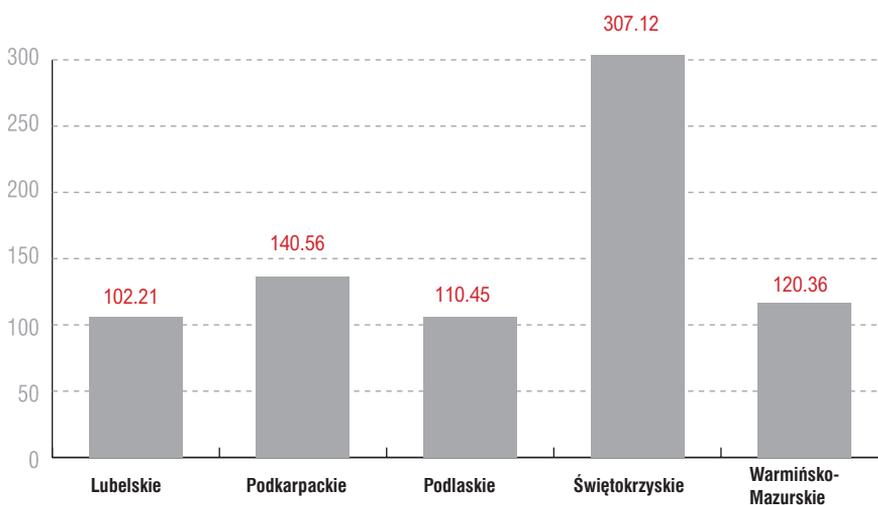
2.4. Export

Within 2000–2011, the value of the Polish export in Euro has been growing. In the Eastern Poland, the fastest increase was noted in the Świętokrzyskie Voivodeship [CHART 3].

In 2011, Voivodeship's export constituted over 300% of the export value in 2000. The Podkarpackie Voivodeship recorded the second highest export increase by 40% in 2011 in relation to 2000.

The value of exports in the Eastern Poland is constantly growing (except for 2008 when a decrease was recorded). The average rate of the export increase within 2000–2011 was 5.6%. The export value produced by the Eastern voivodeships constitutes approx 8% of Poland's export.

CHART 4. **Overall export growth in the Eastern Poland's voivodeships in 2000–2011 (2000 = 100)**



Source: Own compilation based on data of Central Statistical Office



TABLE 12. Export value and growth in the Eastern Poland in 2004–2011

	2004	2005	2006	2007	2008	2009	2010	2011
PLN billion	26.70	27.60	31.70	34.70	32.90	33.95	34.32	38.64
Preceding year = 100	x	103.37	114.86	109.46	94.80	103.20	101.10	112.60

Source: Own compilation based on IBnGR data

The Podkarpackie makes the biggest contribution to the Eastern Poland region's exports, with over 1/3 (34.3%) of its total exports. In the period 2004-2008 this contribution grew by 3 percentage points. Next comes the Warmińsko-Mazurskie (20% in 2008) and the Lubelskie (19.1% in 2008). When one compares the voivodeships' con-

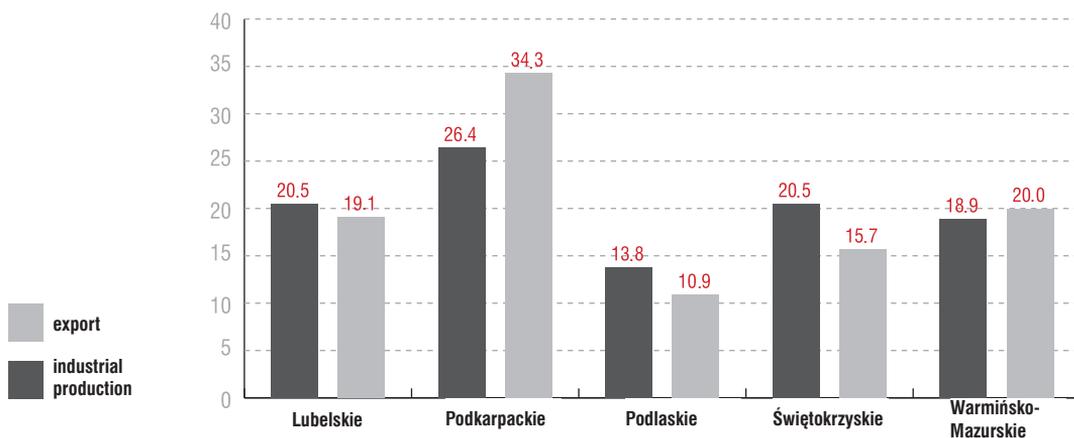
tribution to exports and industrial production, it becomes vivid that in two provinces export activity is relatively higher than industrial production activity (the Podkarpackie and Warmińsko-Mazurskie). However, the three other provinces show more activity in industrial production than in export.

TABLE 13. Structure of export in the Eastern Poland in 2004–2008 (the Eastern Poland = 100)

	2004	2005	2006	2007	2008
Lubelskie	17.6	18.1	17.3	17.7	19.1
Podkarpackie	34.6	33.3	35.7	35.6	34.3
Podlaskie	14.3	13.1	11.9	10.1	10.9
Świętokrzyskie	12.2	13.6	14.6	14.8	15.7
Warmińsko-Mazurskie	21.3	21.9	20.5	21.8	20.0

Source: Own compilation based on IBnGR data

CHART 5. Participation of the voivodeships in export and industrial production of Eastern Poland in 2008 (in %)



Source: Own compilation based on IBnGR data

2.5. Business activity costs

The costs of business activity of entities in Eastern Poland are lower when compared to average costs for Poland with regard to expenses borne by employers on obtaining and using labour force resources.

This is the asset of the Eastern Poland voivodeships. In 2008, the Podkarpackie Voivodeship noted the lowest rate in the entire economy. Labour cost within this area per one

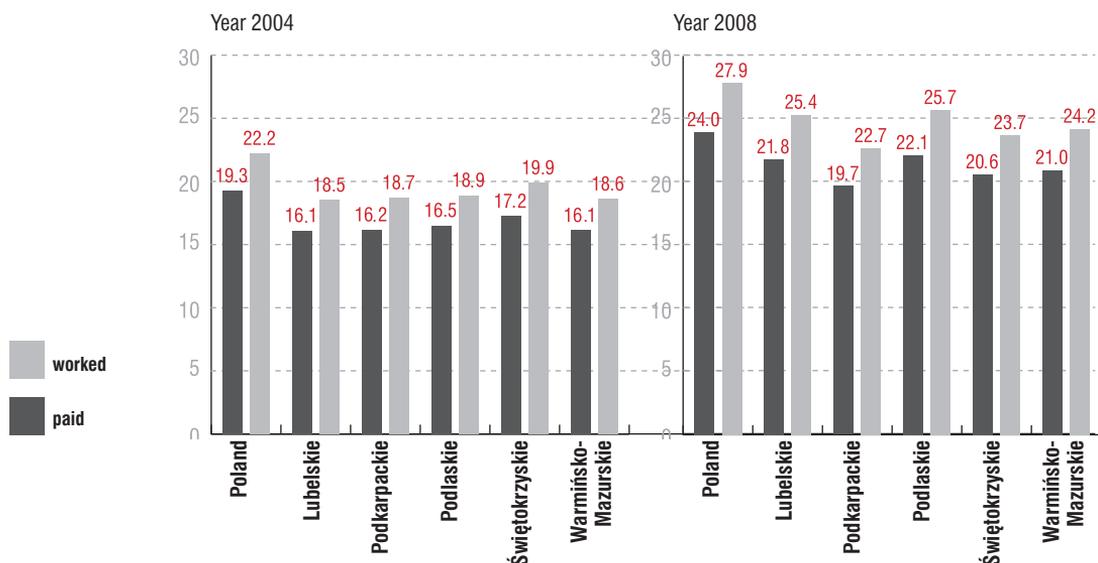
employed person was lower by over PLN 780 than in the entire country, and in comparison to the Mazowieckie Voivodeship (labour cost: PLN 5 180.63 per one employee) by PLN 1 982.58. The Świętokrzyskie Voivodeship is worth mentioning, as labour cost is nearly PLN 630 lower than the average and so is the Warmińsko-Mazurskie Voivodeship, where the greatest difference concerns industry (PLN 635 less than the average labour cost of industry for all of Poland).

TABLE 14. Labour costs per 1 employee working in Eastern Poland's voivodeships in 2004 and 2008

	2004		2008			
	Total	Industry	Total	Industry		
	(PLN)	(PLN)	(PLN)	2004=100	(PLN)	2004=100
Poland	3 111.64	3 082.99	3 986.50	128.12	3 903.26	126.61
Lubelskie	2 563.67	2 550.78	3 533.72	137.84	3 420.58	134.10
Podkarpackie	2 551.27	2 596.50	3 198.05	125.35	3 373.07	129.91
Podlaskie	2 601.97	2 497.03	3 604.16	138.52	3 328.03	133.28
Świętokrzyskie	2 726.17	2 812.85	3 358.95	123.21	3 543.80	125.99
Warmińsko-Mazurskie	2 565.18	2 444.82	3 390.38	132.17	3 267.86	133.66

Source: Own compilation based on IBnGR data

CHART 6. Labour costs per 1 working hour in Eastern Poland's voivodeships in 2004 and 2008 (PLN)



Source: Own compilation based on data of Central Statistical Office

Differences are also evident when hourly costs of work are compared [CHART 6].

In 2004 and 2008, labour costs per hour of work (whether paid or worked) are lower in this area than in the rest of Poland. In 2008, an hour of work was the cheapest in the Podkarpackie Voivodeship and the most expensive in the Podlaskie, however, still lower than in the whole national economy.

Total employment-related costs in all voivodeships in Eastern Poland constitute no more than 4% of such costs for the whole economy. At the same time a decrease of the macroregion voivodeships' participation in the costs for all of Poland (2005–2012) is noticeable.

TABLE 15. Employment costs in the Eastern Poland's voivodeships in 2005, 2007 and 2012

	2005		2007		2012
	PLN mil.	Poland =100	PLN mil.	Poland =100	PLN mil.
Lubelskie	14 124	3.85	16 275	3.74	19 432
Podkarpackie	14 613	3.98	17 083	3.92	20 277
Podlaskie	7932	2.16	9 369	2.15	11 214
Świętokrzyskie	8620	2.35	10 116	2.32	12 035
Warmińsko-Mazurskie	10 055	2.74	11 572	2.66	13771

Source: Own compilation based on data of Central Statistical Office

2.6. Investments

An increased investment outlays dynamics has been observed since 2004. In the period from 2004 to 2008, investments grew by 80% in all of Poland (in private sector by over 73%). This tendency continued in years 2010-2011 for both sectors – public (growth by 24.8% compared to 2010) and private (growth by 2.8%)

Generally in 2010-2011, the Lubelskie and the Warmińsko-Mazurskie Voivodeship recorded the most intensive dynamics of in-

vestments, especially in public sector (over 14%). The Świętokrzyskie demonstrated a high investment rate in relation to 2010 as well with a recorded growth of 13.4%.

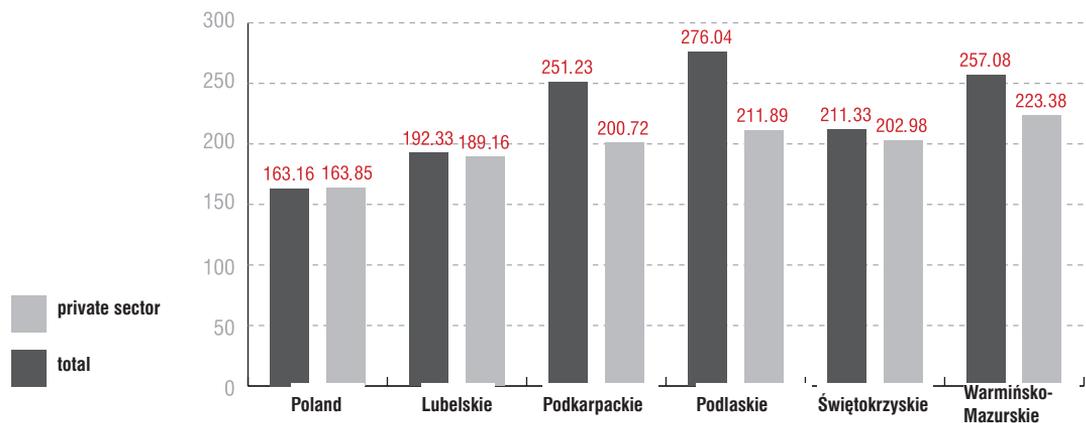
As far as the private sector is concerned, the greatest dynamic of investments concerned the Warmińsko-Mazurskie Voivodeship and the Podlaskie. Quicker investment growth translates into a quicker growth of production capacity and higher number of jobs. It is a trend that bodes well for the future.

TABLE 16. Dynamics of investment outlays according to type of ownership (preceding year = 100, current prices)

	2009		2010		2011	
	Public	Private	Public	Private	Public	Private
Poland	130.2	86.5	112.5	89.5	124.8	102.8
Lubelskie	147.9	78.0	118.8	152.2	114.4	94.6
Podkarpackie	59.5	71.2	99.1	98.4	101.8	101.4
Podlaskie	62.9	72.7	126.6	89.1	109.7	93.7
Świętokrzyskie	89.9	83.7	108.4	72.4	113.4	87.3
Warmińsko-Mazurskie	152.4	64.3	103.8	121.8	114.6	119.4

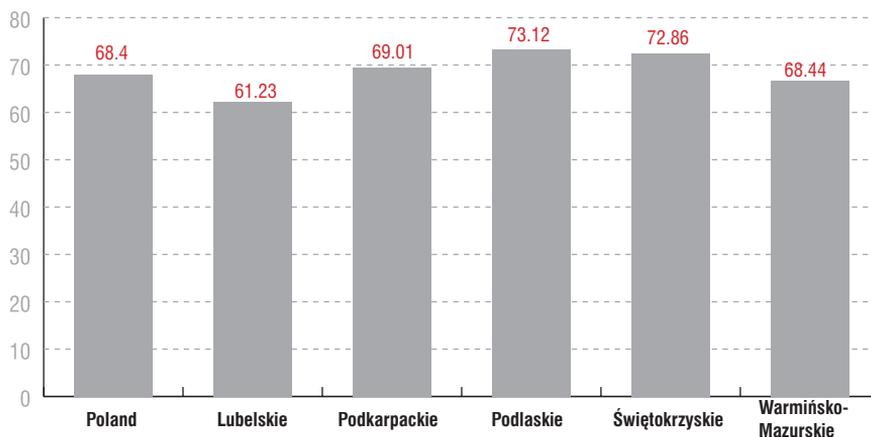
Source: Own compilation based on MRR data

CHART 7. Cumulated pace of the growth of investment outlays in the national economy and the private sector of Eastern Poland's voivodeships in 2000–2008 (2000 = 100)



Source: Own compilation based on data of Central Statistical Office

CHART 8. Participation of private sector in total investment outlays in Eastern Poland's voivodeships in 2011



Source: Own compilation based on data of Central Statistical Office

Participation of private sector in creating investments was higher in Eastern Poland's voivodeships than was the case for the entire economy (except for the Lubelskie Voivodeship). Following Poland's accession to the European Union, an intensive growth of investment outlays occurred. In the majority of Eastern Poland voivodeships this dy-

namics was stronger. Among the Eastern Poland voivodeships, the biggest growth of investments per capita occurred in the Warmińsko-Mazurskie and the Podlaskie Voivodeships, while in the private sector the greatest increase was recorded in the Podlaskie and the Świętokrzyskie.

TABLE 17. Investment outlays in enterprises* according to type of ownership in the Macroregion Eastern Poland (current prices)

	2008	2009	2010
Eastern Poland	17 160.4	8 396.7	8 769.5
Lubelskie	3 873.8	2 166.1	2 994.5
Podkarpackie	4 253.7	1 945.2	1 916.7
Podlaskie	4 253.7	1 945.2	1 916.7
Świętokrzyskie	3 673.4	2 348.8	1 824.3
Warmińsko-Mazurskie	3 075.9	925.9	1 093.0

*) for economic entities with the number of employees exceeding 9; according to investment location

Source: Own compilation based on data of Central Statistical Office

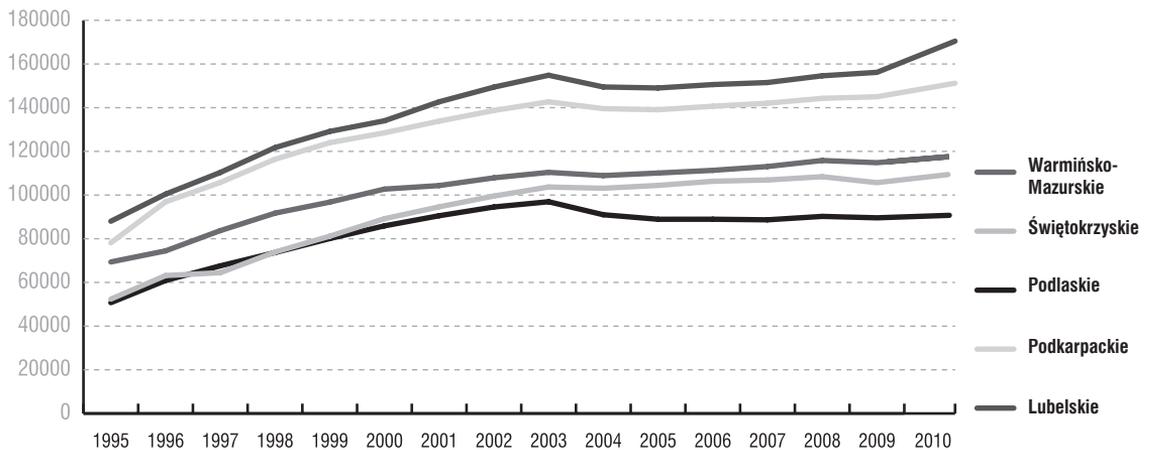
2.7. Business entities

The number of business entities in the Eastern Poland voivodeships has been constantly growing. In 2012 there were almost 638 thousand entities – over 80% more than i.e. in 1995. The trend is a demonstration of developing entrepreneurship. Investors notice chances for their operation in this market and for generating commercial profits.

More and more enterprises are being registered in Eastern Poland. In 2003–2009 they constituted approximately 6.7% of all entities and in 2011 alone – over 9%. The highest amount of newly registered entities has been recorded in the Lubelskie and Podkarpackie voivodeships.

Private entities are a dominant group of companies, constituting over 96% enterprises in Eastern Poland. Differences between individual voivodeships in this respect are rather insignificant.

CHART 9. Economic entities of the Eastern Poland's voivodeships in 1995–2010



Source: Own compilation based on data of Chief Statistical Office

TABLE 18. Newly registered entities of Eastern Poland in 2003–2011

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Eastern Poland	38 178	32 667	36 701	41 221	40 260	43 465	49 199	67 985	57 359
Lubelskie	12 079	10 052	11 191	12 489	12 825	13 652	15 006	17 729	14 673
Podkarpackie	10 417	8 901	9 662	11 332	11 049	11 769	14 203	15 855	13 774
Podlaskie	6 696	5 756	7 095	7 682	7 074	7 952	8 946	10 193	8 897
Świętokrzyskie	6 983	5 954	6 748	7 712	7 305	8 084	9 035	10 548	8 880
Warmińsko-Mazurskie	9 160	8 659	10 003	10 816	10 409	11 334	12 763	13 660	11 135

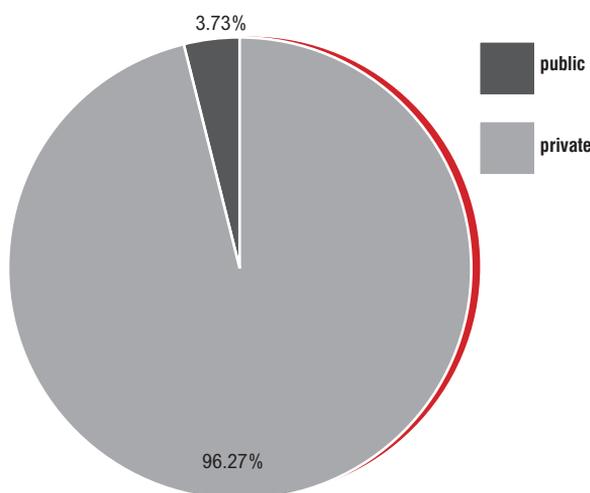
Source: Own compilation based on data of Central Statistical Office

TABLE 19. Ownership structure in Eastern Poland in 2Q-3Q 2012

	Total	Private sector	Public sector
Poland	3 902 340	3 780 533	121 807
Eastern Poland	637 776	613 965	23 811
Lubelskie	164 363	158 595	5 768
Podkarpackie	153 692	147 615	6 077
Podlaskie	93 702	90 572	3 130
Świętokrzyskie	107 107	103 827	3 280
Warmińsko-Mazurskie	118 912	113 356	5 556

Source: Own compilation based on data of Central Statistical Office

CHART 10. Participation of private and public entities in Eastern Poland in 2012



Source: Own compilation based on data of Central Statistical Office

Micrompanies (with up to 9 employees) constitute the largest number of enterprises – they are almost 95% of all companies in the macroregion along with small enterprises (10–49 employees) which are approximately 4% of the Eastern Poland's entities. The greatest number of microcompanies is located in the Lubelskie Voivodeship (over 148 thousand); the lowest number is recorded in the Podlaskie (over 89.6 thousand). The remaining, bigger companies constitute around 1%.

TABLE 20. Structure of entities in the Eastern Poland according to size categories in 2011.

	Total	Number of employees				
		0-9	10-49	50-249	250-999	1000 <
Eastern Poland	628 002	595 686	26 614	4 995	595	112
Lubelskie	162 095	154 257	6 534	1 153	120	31
Podkarpackie	151 091	142 941	6 718	1 230	174	28
Podlaskie	91 738	87 414	3 519	704	83	18
Świętokrzyskie	105 906	100 470	4 477	833	105	21
Warmińsko-Mazurskie	117 172	110 604	5 366	1 075	113	14

Source: Self-elaboration based on data of Central Statistical Office

3. Labour Market of the Macroregion



The Macroregion of Eastern Poland is a great market for goods and services. As of 30 June 2012 the population of the Macroregion was estimated at 8 224 722 people, which constituted 21.34% of the total population of Poland.

3.1. Human resources of Eastern Poland

The Lubelskie Voivodeship is the most populated region in the Macroregion – 2 168 616 inhabitants (5.63% of Poland's population); whereas the Podlaskie Voivodeship is the least populated – 1 199 724 (3.11% of the country's population). Within the last 12 years (2000–2012), a minor population decline was recorded in the Macroregion.

The share of Eastern Poland's voivodeships in the total population of Poland is relatively static. As of 30 June 2012, the population of the Podkarpackie constituted approximately 5.52% of the Poland's population, the Warmińsko-Mazurskie: 3.77%, the Świętokrzyskie: 3.32%.

Table 21 presents that only in the Podkarpackie and the Warmińsko-Mazurskie Voivodeships the population number has relatively grown, however insignificantly.

Estimated changes in population size for 2010-2030 prepared by EUROSTAT indicate that the net foreign migration balance is supposed to be positive in that period – 13 thousand people are to return to Eastern Poland from abroad.

Poland's society, particularly the society of Eastern Poland, is young. While in the entire Poland the share of people under 25 is 28.3%, in Eastern Poland this rate is 29.3%. Furthermore, the population rate of people in pre-working age in Eastern Poland is higher than in the rest of the country.

In highly developed countries, the trend of aging societies has been observed; such a situation may gradually limit employees' supply to the labour markets. In 2011, 13.5% of all Poles were at the retirement age (over 65), while at the same time, in the European Union the share stood at 17.5% of the population. The residents of the Warmińsko-Mazurskie Voivodeship are relatively the youngest in the Macroregion (12.0% of people under 65). Undoubtedly, this is the major asset of the region, as young people are more creative, dynamic and innovative; such attitudes positively influence the increase of productivity.

TABLE 21. Population in the Eastern Poland's voivodeships in 2000–2011

	Lubelskie	Podkarpackie	Podlaskie	Świętokrzyskie	Warmińsko-Mazurskie
	in thou.				
2000	2206.2	2101.4	1210.7	1302.7	1427.5
2005	2179.6	2098.3	1199.7	1285.0	1428.6
2007	2166.2	2097.3	1192.7	1275.6	1426.2
2009	2157.2	2101.7	1189.7	1270.1	1427.1
2011	2175.7	2127.3	1202.4	1280.7	1452.1

Source: Own compilation based on the data of Central Statistical Office

CHART 11. Population in the Eastern Poland's voivodeships according to age groups (in %)



Source: Own compilation based on the data of Central Statistical Office

TABLE 22. Share of people under 25 in Eastern Poland in 2011

	in %
Poland	28.3
Lubelskie	29.2
Podkarpackie	30.6
Podlaskie	29.1
Świętokrzyskie	27.6
Warmińsko-Mazurskie	30.0

Source: Own compilation based on the data of Central Statistical Office

TABLE 23. Percentage of people aged 65 and older in total EU population and in Poland in 2011

	in %
EU	17.5
Poland	13.5
Lubelskie	13.2
Podkarpackie	12.1
Świętokrzyskie	13.6
Podlaskie	13.3
Warmińsko-Mazurskie	12.0

Source: Own compilation based on the data of EUROSTAT

3.2. Education

Eastern Poland has a big education market preparing professional workforce for potential employers. Structure of education in Poland is divided into two main parts: **primary and secondary education and higher education**. Since the reform in 1999, Polish system of education consists of:

- **kindergartens** (children aged 3 to 6),
- **six-year elementary schools**, (since 2009 children aged 6 can also start school education if their parents so decide),
- **junior secondary schools** (teenagers aged 13 to 16; this level of education ends with a junior secondary school final exam that influences further education in secondary school),
- **secondary schools**,
- **higher education institutions of various sorts**.

In Poland compulsory education ends at the age of 18.



Types of secondary schools

- **basic vocational schools** – with a study period not shorter than 2 years, but not exceeding 3 years; their completion enables obtaining a diploma confirming vocational qualification after passing the exam;
- **3-year high schools** – graduation from which enables obtaining Maturity Certificate after passing Maturity Exam;
- **3-year specialized high schools** – educating for general professional preparation; graduating from the school enables obtaining Maturity Certificate after passing Maturity Exam;
- **4-year technical secondary schools** – graduation from the school allows students to receive a diploma confirming professional qualifications, provided the exam had been passed, as well as receiving Maturity Certificate after successfully passing Maturity Exam;
- **2-year complementary secondary schools** – addressed to graduates of basic vocational schools; graduation from these schools allows obtaining Maturity Certificate after a successfully passed Maturity Exam;
- **3-year complementary secondary technical schools** – addressed to graduates of basic vocational schools; graduation from these schools allows obtaining a diploma confirming professional qualifications, provided the exam had been passed, as well as receiving Maturity Certificate after passing Maturity Exam;
- **post-secondary schools** – with a study period not exceeding 2.5 year; graduation from these schools allows students with secondary education to receive a diploma confirming professional qualifications, provided the exam had been passed;
- **3-year special schools preparing for a vocation** – addressed to moderately and severely mentally retarded students as well as the students suffering from multiple disabilities; graduation from these schools allows receiving a diploma confirming preparation for work.

The fact that the society of Eastern Poland consists of young people is the reason why **over 306 thou. students** attend 76 state and private higher education institutions, creating a golden opportunity to investors to find highly qualified employees.

Technical higher education has a long tradition in the Macroregion, with such leading institutions as **Technical University of Białystok** (approx. 14 thou. students), **Technical University of Rzeszów** (16.6 thou. students) or **Technical University of Lublin** (10.7 thou. students).

3.3. Employment and unemployment

The largest component of Eastern Poland's economy is the service sector. It constitutes 46.1% of the entire economy of the Macroregion. The agriculture and industry as well as the construction sector constitute respectively 29.7% and 24.2%. Businesses employ approximately 0.8 million people in the five voivodeships of Eastern Poland. The average rate of unemployment at the end of October 2012 stood at 15.3% for the entire Macroregion and it was higher than in the whole of Poland (12.5%).

The number of unemployed people in Eastern Poland amounts to approx. 500 thou. people, of which nearly 60 thou. are university graduates.

TABLE 24. Students in Eastern Poland in thousands (October 2011)

	Number of students
Poland	1736.6
Lubelskie	96.2
Podkarpackie	70.9
Podlaskie	50.9
Świętokrzyskie	42.3
Warmińsko-Mazurskie	46.7

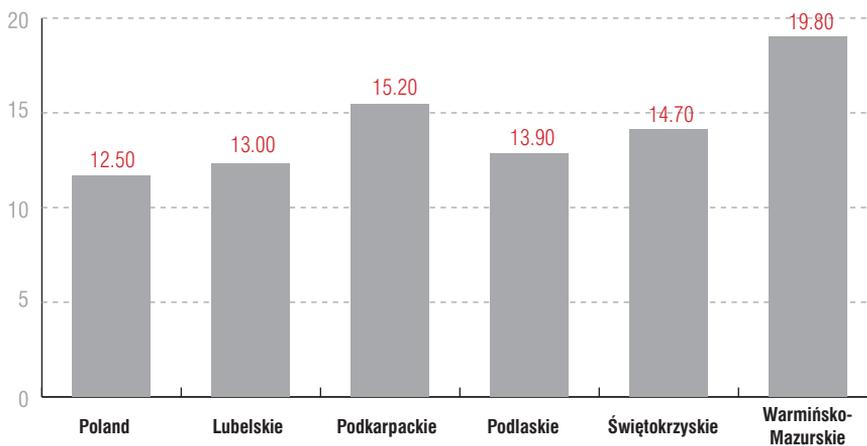
Source: Own compilation based on the data of Central Statistical Office

TABLE 25. Master degree graduates in Eastern Poland according to types of schools (2011)

Type of school	Lubelskie	Podkarpackie	Podlaskie	Świętokrzyskie	Warmińsko-Mazurskie
university	13 421	7 553	4 474	5 044	8 386
technical university	2 186	3 886	3 174	2 017	-
medical university	1 603	-	1 084	-	-
non-public school of higher education	11 818	7 675	5 529	7 015	5 590
total	29 028	19 114	14 261	14 076	13 976

Source: Own compilation based on the data of Central Statistical Office

CHART 12. Unemployment rate in Eastern Poland (October 2012)



Source: Own compilation based on the data of Central Statistical Office

3.4. Salaries

Average salary in Eastern Poland, both for industry and construction is 15% lower than the country's average.

Taking into consideration both the number of the unemployed and the unemployment rate, and consequently, a higher than in other regions supply of labour force with significantly lower salaries in Eastern Poland, the Macroregion creates exceptional conditions for investments.



TABLE 26. Average monthly gross salary in Eastern Poland in PLN (I–IX 2012)

	Industry	Construction
Poland	3 766.46	3 660.02
Lubelskie	3 515.03	2 999.53
Podkarpackie	3 123.45	2 877.87
Podlaskie	3 110.15	3 623.71
Świętokrzyskie	3 328.34	3 153.30
Warmińsko-Mazurskie	3 010.15	3 047.65

Source: Own compilation based on the data of Central Statistical Office January-September 2012

4. Infrastructure



4.1. Transport

Road transport plays a crucial role in the communication system of Eastern Poland's voivodeships. It is used both for cargo and passenger traffic. Transportation of transit cargo is of particular importance, owing to the location of Eastern Poland's voivodeships close to the border.

4.1.1. Road infrastructure

Road transport in the area of Eastern Poland is of major import. In the Macroregion, for every 100 km² there are on average 116 km of roads. Local and district roads predominate, constituting nearly 86% of all the roads in Eastern Poland.

So far, the unsatisfactory condition of road infrastructure acted as a barrier to the Macroregion development; a dynamic growth of investments in that sector has a significant impact on improving road transport conditions. The road layout envisaged for this part of Poland has resulted in the construction of two motorway sections:

- **A2** passing through the northern part of the Lubelskie region, leading to the border crossing in Kukuryki (on 22 November a junction to Słupiec was opened. The motorway is now considered to be passable);
- **A4** crossing through the Podkarpackie Voivodeship in the direction of the border crossing in Korczowa (under construction). The following investments of express roads, currently under construction, are located in the Macroregion:
 - a section of **S7** road, passing through Elbląg and Olsztyn, in the Warmińsko-Mazurskie Voivodeship (the road is passable, but it features a 70 km/h speed limit on account of its still uncompleted extension);

- a section of **S8**, passing through Zambrów and joining S19 in Choroszcz in the Lubelskie Voivodeship (construction completion is scheduled for 2014);
- a section of **S12**, which will cross the city of Lublin in the Lubelskie Voivodeship, running in the direction of the border crossing in Dorohusk;
- a section of **S17** road, running through Zamość in the direction of Hrebenne;
- a section of **S19** road, which crosses Kuźnica in the Podlaskie and runs through the Lubelskie Voivodeship to the border crossing with Ukraine in Barwinek in the Podkarpackie Voivodeship (nearly completed; the end of construction is scheduled for early 2013);
- a section of **S22** road, joining Elbląg with the Russian border (passable);
- a section of **S51** road, joining Olsztyn and Olsztynek in the Warmia and Masuria region;
- a section of **S61** road, crossing the Podlaskie Voivodeship in the direction of the border crossing in Budzisk;
- a section of **S71** road, crossing Kielce and running in the direction of the S19 road (to be completed in 2015).

The Warmińsko-Mazurskie Voivodeship

On 31.11.2012, the length of hard surfaced public roads was approximately 13 thou. km, of which 71.6 km were express roads. The network of national roads in the

voivodeship was 1 330.4 km long, voivodeship roads – 1 911.7 km, district roads – 6 935.1 km, local roads – 2 698.6 km. Overall density of hard surfaced roads was approximately 53.2 km per 100 km². The basic network of roads has been adequately laid out and it ensures convenient inter-regional transportation solutions.

The following transport corridors run through the Warmia and Masuria area (TEN-T):

- **Transport Corridor VI** Gdańsk – Katowice – Żilina;
- **Transport Corridor IA** Riga – Kaliningrad – Elbląg – Gdańsk, branching the Corridor I;
- **Transport Corridor I** Helsinki – Riga – Kaunas – Warszawa (Via Baltica);
- **Transport Corridor VI** Gdańsk – Katowice – Żilina.

The Podlaskie Voivodeship

Major transportation routes pass through the Podlaskie Voivodeship: from the west to the east (Berlin, Warsaw, Grodno, Minsk, Moscow) and from the north to the south (from Helsinki via the Baltic states to Warsaw). The location of the Podlaskie Voivodeship on the border makes it an important transit area. The main road sections in the voivodeship include:

- **no. 8** Warsaw – Białystok – Augustów – Suwałki – Budzisko – the state's border;
- **no. 16** Olsztyn – Elk – Augustów – Pomorze – Poćkuny – Ogrodniki – the state's border;

TABLE 27. Goods transport by road

	Out		In	
	in thousand tons	in mil. ton/km	in thousand tons	in mil. ton/km
Poland	832 131		830 376	
Lubelskie	27 362	3 190	28 055	3 309
Podkarpackie	26 568	3 290	29 377	3 850
Podlaskie	26 351	2 648	25 213	2 349
Świętokrzyskie	39 090	4 107	28 821	2 171
Warmińsko-Mazurskie	29 406	2 560	31 110	2 912

Source: Own compilation based on data of Central Statistical Office

MAP 3. Polish roads and motorways



30.11.2012

■ existing sections

■ in implementation phase

■ planned sections

Source: <http://pl.wikipedia.org/w/index.php?title=Plik:NowaMapaStan.svg&filetimestamp=20121130182451>

- **no. 19** the state's border – Kuźnica – Białystok – Bielsk Podlaski – Siemiatycze – Lublin – Rzeszów;
- **no. 61** Warsaw – Ostrołęka – Łomża – Grajewo – Augustów;
- **no. 65** the state's border – Goldap – Elk – Grajewo – Mońki – Białystok – Bobrowniki – the state's border;
- **no. 66** Zambrów – Wysokie Mazowieckie – Brańsk – Bielsk Podlaski – Kleszczele – Czeremcha – the state's border.

Białystok, the capital city of the Voivodeship, is located at the junction of two express ways – S8 and S19 – currently under construction, linking the Baltic states, Belarus and Russia with the south of Europe. The total length of hard surfaced public roads in the voivodeship is over 12 319 km. The basic network of the Podlaskie Voivodeship's roads is comprised of 972.4 km of national

roads, 1 241 km of voivodeship roads, 6 658 km of hard surfaced district roads, 3 448 km of local roads. Hard surfaced roads density index stands at 61 km/100 km². The construction of a route within the framework of **I Pan-European Transportation Corridor – Via Baltica** – will have a major strategic importance for the development of the Podlaskie. This route will enable a quick connection between Warsaw and the Lithuanian border in Budzisko. Initially, the route was supposed to pass through Białystok. However, after ecological organizations voiced their protests against violating the balance of the natural environment in the course of constructing Augustów ringroad, another route running through Elk and Łomża, omitting Białystok, was chosen.

The Lubelskie Voivodeship

Total length of public roads in the Voivodeship is 34 598.6 km, of which 21 325 km are hard surfaced roads, constituting about 61.6%. Dual carriageways constitute approximately 0.48% of all the roads in the voivodeship, i.e. 86 km. On 31.12.2011, the density index of hard surfaced roads in the Lubelskie Voivodeship amounted to 137.8 km/100 km², and of hard surfaced public roads – 84.9 km/100 km². Joint length of higher category roads constitutes 53.4% of all national roads in the Lubelskie Voivodeship, while about 7.5% of the roads satisfy the European fatigue strength standard equal to 11.5 kN/axis.

National roads are the basic road network in the voivodeship. They are as follows:

- **national road no. 2**, Świecko – Poznań – Warsaw – Terespol – the state's border;
- **national road no. 12**, the state's border – Łęknica – Głogów – Piotrków Trybunalski – Radom – Puławy – Piaski – Chełm – Dorohusk – the state's border;
- **national road no. 17**, Warsaw – Żakręt – Garwolin – Ryki – Kurów – Lublin – Piaski – Krasnystaw – Zamość – Tomaszów Lubelski – Hrebenne – the state's border;

- **national road no. 19**, the state's border – Kuźnica Białostocka – Białystok – Siemiatycze – Międzyrzec Podlaski – Kock – Lubartów – Lublin – Kraśnik – Janów Lubelski – Nisko – Rzeszów (planned **Via Carpatia**).

National roads nos. 12, 17 and 19 are slated to be converted to express roads in the future, and along with A2 motorway they will create a network of highways of a total length of approximately 550 km. The main transportation infrastructure of the voivodeship also comprises voivodeship roads of supra-regional and regional importance of the total length equal to 2 210 km.

The Podkarpackie Voivodeship

The length of national roads crossing the Podkarpackie Voivodeship is 771.6 km, and of voivodeship roads – approx. 1 673 km. Total length of district roads reaches 6 712 km. Whereas the network of local roads is 9 768 km long, of which hard roads of improved surface is 6 318.4 km, which only constitutes 61% of their total length. The road network density stands at a total of 105.6 km/100 km².

National roads constitute around 4% of the road network but they serve 50% of the total traffic within the region. Roads of international importance are as follows:

MAP 4. Projected course of Via Baltica, Rail Baltica and Via Carpatia routes



- **national road no. 4 (E 40)**, Olszyna – Wrocław – Katowice – Kraków – Rzeszów – Korczowa – Kiev (Ukraine);
- **national road no. 9 (E 371)**, Radom – Rzeszów – granica państwa – Koszyce (Slovakia).

TABLE 28. Total public roads in Eastern Poland according to road class (as at 31.12.2011)

	Total		national	voivodeship	district	local
	absolute value	per 100 km ²				
Poland	412 263.7	131.8	18 801.1	28 475.8	127 743.2	237 243.6
Eastern Poland	119 293.1	611.9	4 887.2	8 117.1	40 841.5	65 447.3
Warmińsko-Mazurskie	23 081.5	95.4	1 330.4	1 911.7	8 496.1	11 343.3
Podlaskie	25 583.5	126.8	972.4	1 240.9	7 824.0	15 546.2
Lubelskie	34 598.6	137.8	1 058.2	2 216.0	11 616.0	19 708.4
Podkarpackie	18 924.4	105.6	771.6	1 673.1	6 711.6	9 768.1
Świętokrzyskie	17 105.1	146.3	754.6	1 075.4	6 193.8	9 081.3

Source: Transport – activity results 2011, Warsaw 2012

Strategic road networks planned or currently under construction in the Podkarpackie Voivodeship include:

- **A4 motorway**, Berlin – Wrocław – Katowice – Rzeszów – Lviv – Kiev, incorporated in the III Pan-European Transport Corridor, whose length in the Podkarpackie Voivodeship is 160 km;
- **S19 expressway**, Kuźnica Białostocka – Białystok – Lubelskie – Rzeszów – Barwinek – Koszyce – Bucharest of approximately 170 km – the Via Carpatia planned;
- **S74 expressway**, Piotrków Trybunalski – Stalowa Wola – Nisko – intersecting with S19 road.

The Świętokrzyskie Voivodeship

The road network in the Świętokrzyskie Voivodeship is 17 105 km long, of which 754.6 km are national roads. There are no

motorways in the Voivodeship; the region is situated outside of the Trans-European Network (TEN-T). On 31.12.2011 there was 114.9 km of hard surfaced roads per every 100 km², including only about 17.3 km of dual carriageways. The network of national roads in the region provides good transportation links with all the neighbouring voivodeships. The increase of both passenger and cargo traffic makes traffic capacity very limited. The Świętokrzyskie Voivodeship is located away from the planned corridors for motorway networks. There are plans to adopt national roads no. 7 (in the direction of North-South) and no. 74 (in the direction of East-West) to express road standard. The greatest traffic intensity is recorded on national road no. 7, where average vehicle traffic in 24 hours can even reach up to approximately 18 500 vehicles.





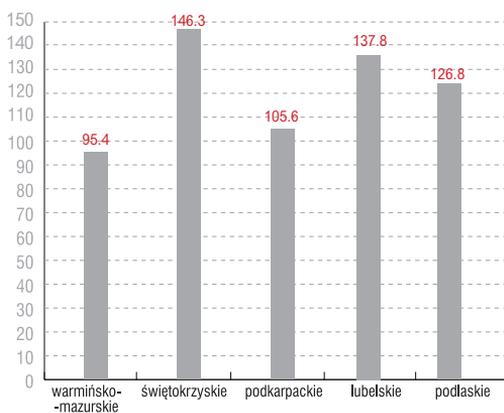
4.1.2. Railway

Currently, double-track main railway routes in Eastern Poland are:

- Warsaw – Białystok;
- Warsaw – Terespol;
- Warsaw – Kielce – Kraków;
- Kraków – Rzeszów – Medyka;
- Kielce – Jarosław;
- Białystok – Suwałki – the Lithuanian border;
- Lublin – Zamość – the Ukrainian border;
- Lublin – Stalowa Wola – Rzeszów;
- Elk – Olsztyn.

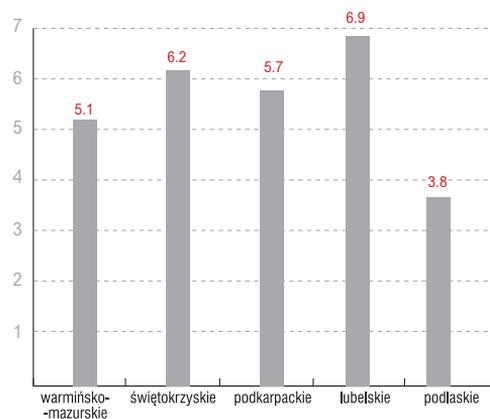
The bottlenecks of the railway system in Eastern Poland regions include the following routes:

CHART 13. Total public roads (data as of 31.12.2011)



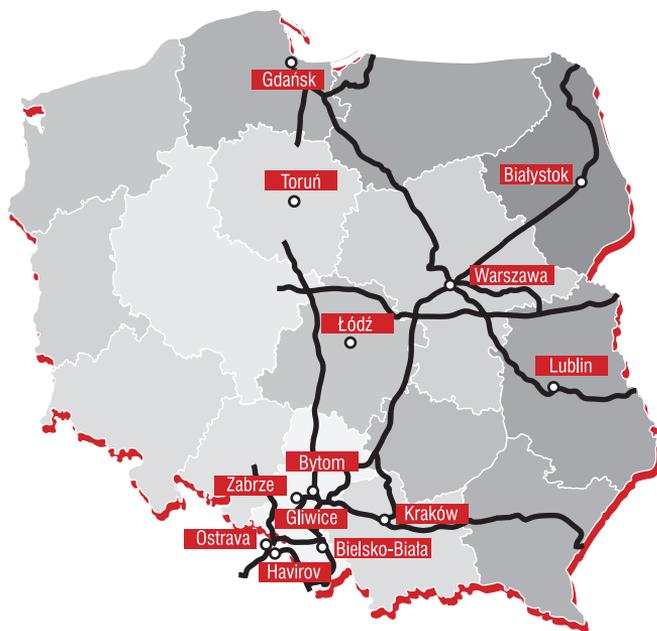
Source: Transport – activity results 2011, Warsaw 2012

CHART 14. Density of roads and railways in Eastern Poland (data as at 31.12.2011)



Source: Transport – activity results 2011, Warsaw 2012

MAP 5. TEN-T railway network in Eastern Poland



Source: Own compilation based on MMR data

The railway routes of Eastern Poland are an element of the Pan-European Corridors within the TEN-T transport network. Eastern Poland features the following railway connections:

- Warszawa – Terespol – Minsk;
- Warszawa – Dorohusk – Kiew;
- Warszawa – Białystok – Trakiszki – Kaunas (Rail Baltica);
- Kraków – Medyka – Lwiv;
- Gdańsk – Elbląg – Kaliningrad;
- segment of the Warsaw – Gdynia route (in the Warmińsko-Mazurskie Voivodeship)
- a fragment of the CMK route (in the Świętokrzyskie Voivodeship).

Investments for aviation infrastructure

- **Kielce-Obice (the Świętokrzyskie Voivodeship)** – approximately 25 km from Kielce; area of approximately 500 ha; runway length 2800 m; airport infrastructure: passenger and cargo terminals.
- **Białystok-Saniki (the Podlaskie Voivodeship)** – approximately 20 km from Białystok; area of approximately 361.3 ha; runway length 2450 m, runway width 60 m; it will be designated for airplanes with wing-span of 32-52 m (Boeing B737, Airbus A320 and turboprop ATR 42); target airport capacity 340 thousand passengers annually.
- **Lubelskie-Świdnik (the Lubelskie Voivodeship)** – airport was opened in December 2012, area of approximately 250 ha, runway of asphalt and concrete, size: 2520x45 m; passenger and cargo transport service.

4.1.3. Aviation infrastructure

Both passenger and cargo transport in Eastern Poland are served by the Rzeszów-Jasionka Airport (the Podkarpackie Voivodeship). **It is the most south-easterly airport in Poland.** It is designed for both domestic and international flights. Currently, three carriers offer regular connections from the Rzeszów Airport. These are: PLL LOT, Ryanair and Lufthansa, flying to the following destinations: Barcelona Girona, Birmingham, Bristol, Dublin, East Midlands, Frankfurt, London Luton, London Stansted, Manchester.

The airport runway measuring 3200 m x 45 m is one of the biggest ones in Poland. It can receive every type of an airplane, including the largest widebody aircraft, i.e. B747. The second airport of Eastern Poland – Lublin-Świdnik – was opened in 17 December 2012.



Thanks to the Instrument Landing System (including I class ILS) and a modern, Vaisala-based weather shields, the airport is operational throughout the entire year. Passengers of the **Rzeszów-Jasionka Airport are currently served in two terminals: arrivals and departures. The departure terminal was opened on 8 May 2012. The arrival terminal, guard-rooms and a waiting room were built in a container layout. Additionally, the airport features a terminal for cargo handling.**

The Rzeszów-Jasionka Airport was the only airport in all of Eastern Poland to have been placed on an aviation map of transportation routes of significant importance to the transportation system in the European Union – TEN-T.

With the financial support of the European Union, the Rzeszów-Jasionka has in recent years undertaken investments aimed at improving its operation. An increasing volume of passenger and cargo traffic requires

TABLE 29. **The Rzeszów-Jasionka airport traffic**

	2007	2008	2009	2010	2011	2012
number of take-offs and landings	6 112	9 662	8 806	10 919	12 357	9 705
passenger traffic	279 996	323 838	383 184	454 203	491 325	445 433

* as at IX.2012

Source: the Rzeszów-Jasionka airport data, www.rzeszowairport.pl

MAP 6. Air TEN-T infrastructure in the Eastern Poland



Source: Own compilation based on MMR data

improving fire safety procedures at the airport. Within the scope of the completed investments a complex of Airport Firefighting Unit and a water supply system for rescue purposes have been built. The completion of these projects has enabled serving a greater number of passengers, planes and cargo. A construction of aircraft hangars and of an apron is currently underway. The construction is scheduled for completion in mid-2013.

4.1.4. Inland Water Transport

The main network of rivers and canals in Eastern Poland is comprised of the following river bodies in the Vistula basin:

- **rivers:** the Biebrza, Brda, Martwa Wisła, Nogat, Szkarpowa, Pisa and Wisła;
- **canals:** the Augustów, Bartnicki, Elbląg, Jagiellonian, Łączański;
- **lakes:** Ruda Woda, Bartężek, Drużno, Jeziorak, Szeląg Wielki, Ewingi, Roś, the lakes within the Augustów and the Elbląg Canals as well as the Masurian Lake District, including the lakes connected by rivers and canals, from Roś Lake in Pisz to Mamry Lake in Węgorzewo and side routes of Mikołajewskie Lake to Nidzkie Lake.

Due to its properties and location, the Warmińsko-Mazurskie Voivodeship plays the greatest role in handling inland water navigation. Total length of inland waterways in

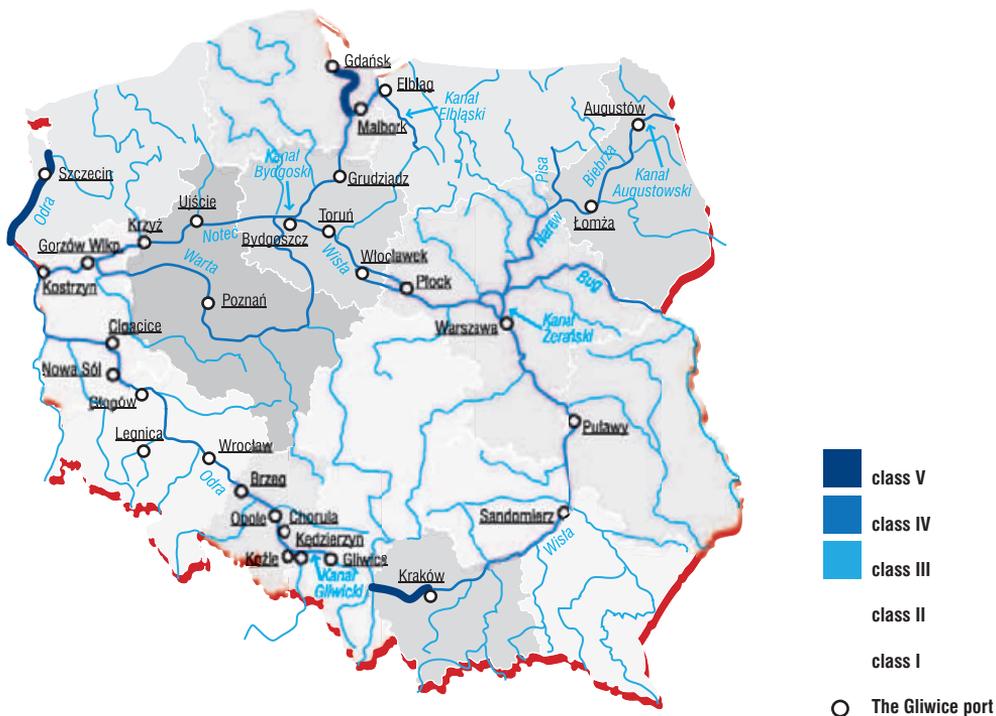
the area is approximately 352 km. The most important of them are: the Elbląg Canal, Jeziorak Lake and Mitomłyn-Szeląg Lake, the Pisa River and the route of the Masurian Lake District. Elbląg is the main water port (handling both sea and inland water traffic) for the Voivodeship. The port in Elbląg has good infrastructure: quays fitted with mooring equipment, equipment for dry goods transshipments, crane rails and a railway siding. Moreover, the inland water infrastructure is complemented by **three ports:** Tolkmicko, Frombork and Nowa Pastęka, **two harbors:** Suchacz and Kamienica Elbląska, and **four fishing ports:** Suchacz, Tolkmicko, Frombork and Nowa Pastęka.

The list of standards and parameters for water network of E-class (European) of the 'Blue Book' issued in 1998 on the grounds of the European Agreement on Main Inland Waterways of International Importance –

names three water transport routes running through Poland – E30, E40 and E70. The International Waterway, passing through Warmia and Masuria (connecting Belgium and Lithuania), is the route of the greatest import to the development of inland navigation infrastructure. This part of E70 within the Warmińsko-Mazurskie Voivodeship belongs to the area of the Vistula Lagoon and the Pasłęka River as well as the Elbląg River. Ultimately, E70 waterway and other waterways running through Poland are to take over some of the load of road cargo transport.



MAP 7. Waterways in Poland and Eastern Poland



Source: Own compilation based on MRR data

4.2. Telecommunication and the Internet

In response to the Macroregion's great needs, projects connected with the development and spread of IT technologies are implemented in the Eastern Poland's Voivodeships. One of such is the project titled: *Information and communications technology (ICT)* concerning broadband network development, which has a fundamental impact on the economic and social growth advancement.

The main steps undertaken within the scope of the project include the advance-

ment of teleinformation infrastructure that adds to already existing resources belonging to different operators, which create regional backbone network. The networks created within this project will be available to all telecommunications entrepreneurs who provide broadband services directly to end users. This project is to provide, until the end of 2013, **access to broadband network for 90% of households and 100% of public institutions and business persons** within 5 voivodeships of Eastern Poland. Estimated time of completion is predicted until the end of 2013.

The activities aimed at the development of broadband infrastructure ought to be accompanied by undertakings supporting the supply of services of information society and improving ITC skills of the Macroregion inhabitants. Funds allocated to support that objective are found in residents of the Region. This purpose may be financially supported by regional operational programmes and the Innovative Economy Operational Programme and the Operational Programme for Human Resources Development.



TABLE 30. IT technology use in Eastern Poland in 2nd quarter of 2012

access to computer	households with computer	72.0%	
	households without computer	27.1%	
access and use of the Internet	household with the Internet access	61.2%	
		using the Internet	57,5%
		not using but with access to the Internet	3.7%
	households not having the Internet access	38.7%	
	households with no data available	0.1%	
types of the Internet connections	analogue modem or ISDN	6.3%	
	broadband connection	46.3%	
	DSL	21.9%	
	other stationary connections	25.6%	
		wire	12.7%
		wireless	10.1%
	mobile connections via mobile phone operators	3.6%	
GPRS	10.0%		

Source: Own compilation based on CSO data

Chapter III

Conducting business activity in the Macroregion



1. Business activity registration

An entrepreneur may commence and perform business activity after it had been registered into a respective register. According to provisions of law, there are two separate systems for registering entrepreneurship, each of them adequate for various entity categories. These are:

1. **Register of Business Activity** (since 1 July 2011: Business Activity Central Register and Information Record) – for individual entities,
2. **Register of Entrepreneurs of the National Court Register** – for other entities (different to individual entities registered in the Register of Business Activity).



1.1. Central Register and Information on Business Activity (CEIDG) and Register of Entrepreneurs of the National Court Register (KRS)

Central Register and Information on Business Activity	Register of Entrepreneurs of the National Court Register
Legal bases	
<ul style="list-style-type: none"> ■ Freedom of Business Activity Act of 2 July 2004 (harmonized text: Journal of Laws of 2010 no. 220, item 1447, as amended); ■ the Act of 13 May 2011 on amending the Freedom of Business Activity Act and Certain Other Acts (Journal of Laws no. 131, item 764); ■ the Act of 25 March 2011 on Limiting Administrative Barriers for Citizens and Entrepreneurs (Journal of Laws of 2011, no. 106, item 622); ■ the Act of 19 December 2008 on amending the Freedom of Business Activity Act and Certain Other Acts (Journal of Laws of 2009 no 18, item 97, as amended); ■ the Act of 2 July 2004, provisions enacting the Freedom of Business Activity Act (Journal of Laws no 173, item 1808, as amended); ■ the Act of 4 March 2010 on Rendering Services in the Territory of the Republic of Poland (Journal of Laws of 2010, no. 47, item 278) transposing the regulations of directive 2006/123/CE of the European Parliament and Council of 12 December 2006 on services in the internal market (Official Journal of the EU, L series 376 of 27.12.2006, p.36); 	<ul style="list-style-type: none"> ■ Art. 1-48, Art. 50 of the Act of 20 August 1997 about National Court Register (harmonized text: Journal of Laws of 2007, No. 168, item 1186 with amendments)
Who is subject to registration	
<p>Only individual entities must register in Central Register and Information on Business Activity (CEIDG) and civil partnerships (for information purposes). Only the information on Tax Identification Number (NIP) and National Economy Register Number (REGON) are registered in CEIDG in case of civil law partnerships which an entrepreneur joined.</p>	<p>The following entities must register into Register of Entrepreneurs of the National Court Register:</p> <ul style="list-style-type: none"> ■ entities legally approved as entrepreneurs, i.e. general partnership, limited liability partnership, limited partnership, limited joint-stock partnership, joint-stock company, limited liability company, European Company, State enterprise, mutual insurance company, legal subsidiary ■ entities for which the obligation of registering to the Register of Entrepreneurs arises from the intention of starting and conducting business activity.
Who keeps the Registers?	
<p>The registering authority are the Vogt, mayor or president of the city while the register itself is run by Municipal Councils respective to the place of residence or in case of individual entities whose permanent residence is outside the territory of the Republic of Poland, to the place of conducting business activity. Currently, registration is also possible in an electronic system, i.e. CEDIG of the Minister of Economy is in charge of running the register.</p>	<p>The Register is run by economic departments of provincial courts seated in cities which are the voivode's or the sejmik's seat, with the jurisdiction over the whole voivodeship. The jurisdiction is set on the basis of a company's registered office address or location of the main business premises.</p>
Application for registration	
<p>Company is registered prior to a respective application. The application is an integrated official form (EDG-1) which may be filed in person, by registered letter or via the Internet (requires electronic signature, qualified signature or it can be authenticated through a trusted profile at ePUAP). This application is free of charge.</p>	<p>Registration in Register of Entrepreneurs of the National Court Register is made on application within 7 days (but not later) since the date of an actual reason for such. Application must be made on the official form. Applications can also be filed on computer print-outs or photocopies of the official forms. It may be filed via the Internet (requires electronic signature). Applicant is obliged to pay a court fee and a fee for announcement in Court and Economic Monitor only in cases when such an announcement in the Court and Economic Monitor is required.</p>
Registration date	
<p>The registering authority makes an entry into CEIDG register immediately after the receipt of application that is free from any deficiencies not later than on the next business day after an application receipt.</p>	<p>District court consider the request and make a decision on the entry no later than 7 days from the date of its deposit.</p>
Responsibilities of registered entity	
<p>An entrepreneur is obliged to file an application for making a change of an entry:</p> <ul style="list-style-type: none"> ■ within 7 days of a change of the data entered in the CEIDG register, and in case of striking off of an entry ■ within 7 days of permanent discontinuation of business activity conduct. 	<p>Entrepreneur is obliged to:</p> <ul style="list-style-type: none"> ■ adequate marking of the company by providing affidavits with regard to his/her business with the following information: company's name, its legal form, its seat and address, taxpayer's identification number (NIP) and National Court Register number (KRS). ■ data update

1.2. 'All at one stand' and new rules for obtaining taxpayer identification number (NIP)

For an entrepreneur the concept of "all at one stand" means that the application for registration in Register of Business Activity or Register of Entrepreneurs of the National Court Register simultaneously functions as:

- a notification filed for statistical purposes,
- an application to register in the National Official Register of the Nationalised Industries Units (REGON – National Economy Register),
- an application for tax purposes (NIP – Taxpayer's Identification Number),
- an application for social insurance purposes (ZUS [National Social Insurance Institution] and KRUS [Farmers' Social Security Fund]).

The information provided in an application for an entry is immediately sent, not later than on the business day following the making of such an entry to a respective Internal Revenue, Statistical Office, National Social Insurance Institution or to the Main Office of the Farmers' Social Security Fund accompanied with a photocopy of a certificate of an entry into Register of Business Activity or National Court Register.

Grounds for awarding the Taxpayer Identification Number is constituted by an application for registration sent to the headperson of respective Internal Revenue who after its receipt is obliged to issue within 3 business days a decision on awarding the said number and then return it to the applicant.

1.3. Business Activity Central Register and Information Record

Rules for Business Activity Central Register and Information Record operation (CEIDG) are defined in Chapter 3 of the the Freedom of Business Activity Act of 4 July 2004, which came into force on 1 July 2011. Since that day the CEIDG has replaced the Register of Business Activity. The changes concern:

- establishing CEIDG which registers entrepreneurs who are sole traders as well as provides information about entrepreneurs with regard to registered information and access to information gathered by central information of National Court Register;
- registration in CEIDG is made on application of the interested individual entity, filed via the Internet on a special electronic form. The electronic forms will be available at the Internet website of CEIDG, in Public Information Bulletin of Minister of Economy and at the Public Administration Service's website (ePUAP);
- filing of an application will be free of charge, however an application filed in that fashion must bear an electronic signature, verifiable with a qualified certificate or signed with a signature authenticated by a trusted profile of the public administration services electronic platform (ePUAP), or signed with a person's signature;
- for registration purposes, the application may be filed in any selected municipal office. Registration is assumed to have been completed at the moment of serving the CEIDG with the registration information but not later than the following business day after the date of service;
- a certificate of an entry into Register of Business Activity will have an electronic form or a printout form of the Internet page.



1.4. Other registers in Poland

1.4.1. National Official Register of the Nationalised Industries Units (REGON)

Regulated in detail by the Public Statistics Act of 29 June 1995 designed for statistical purposes and access to information about entrepreneur as well as business activity. This registration is obligatory for all entrepreneurs.

1.4.2. National Taxpayers' Register (NIP)

Regulated in detail by the Act of 13 October 1995 about rules on taxpayers' registration and identification and the Act of 29 August 1997: Tax Ordinance. It serves for taxpayers' identification and also data collection and verification. This registration is obligatory for all entrepreneurs.

1.4.3. Register of Producers and Traders

This Register is defined precisely in the Act of 16 February 2007 on oil, oil products and gas supply, and the rules of conduct in situations of endangered fuel security of the state and oil market disturbance, and in the regulation of Ministry of Economy of 24 April 2007 about Register of Producers and Traders obliged to create and maintain compulsory oil or fuel supplies. The register is maintained for the protection of fuel security of the State.

1.4.4. Register of Foreign Subsidiaries

Regulated in detail in the Act on Reducing Certain Obligations for Citizens and Entrepreneurs of 16 September 2011 (Journal of Laws no. 232, item 1378); the obligation of a foreign entrepreneur and a foreign individual interested in commencing business activity concerning promotion and advertising of foreign entrepreneur or promotion of their national economy in Poland, is to make an entry in the said register.

1.4.5. Register of granted individual, global and general permissions

Regulated by the Act of 29 November 2000 about foreign trade of goods, technologies and services of national security strategic meaning as well as maintaining international peace and security, and in the regulation of Minister of Labour and Economy of 22 September 2004 on method of keeping the Register of granted individual or global permissions and permits for individual or legal entities using general permissions. The Register guarantees control of trade of goods of the strategic importance to the national security and maintaining international peace and security.

1.4.6. Registers of Retirement and Investment Funds

Both regulated by the Act of 28 August 1997 on functioning and management of retirement funds and the regulation of Ministry of Justice of 22 May 1998 on method of keeping register of retirement funds, sample of this Register and detailed procedure for conducting cases for entering to the Register as well as the Act of 27 May 2004 about investment funds and the regulation of the Ministry of Justice of 06 October 2004 on method of keeping register of investment funds, sample of this Register and detailed procedure for conducting cases for entering to the Register. Both Registers serve the purpose of legalisation, supervision and business activity control in this field.

1.4.7. Regulated Activity Registers

The registers are maintained for the purpose of legalisation, supervision and control of entities conducting a type of business activity regarded as regulated pursuant to the Freedom of Business Activity Act of 2 July 2004 as well as in the Act of 13 May 2011 on amending the Freedom of Business Activity Act and Certain Other Acts (Journal of Laws no. 131, item 764). This registration is indispensable for the performance of around 20 types of business activity conditional on the fulfilment special requirements. Names and detailed rules of the Registers' functioning are defined by separate acts of law concerning particular types of business activity.

2. The investment process

Generally, conducting business activity in Poland does not require any permits. However, there are some exceptions; some types of business activity are limited and require approval of Polish authorities (concession, permission or permit) or entry into the Regulated Activity Registers. Some professional services in Poland may be performed only by people awarded with adequate certificates (i.e. tax advisers, attorneys, architects, accountants and financial advisers). Some types of business activity (i.e. conducted by banks insurance or retirement funds) require a special legal form, such as e.g. joint-stock company.

2.1. Concessions, permissions and permits

Concessions are issued for the types of business activity of significant importance to the national economy (i.e. national and public security). They are usually issued for the period of **5 to 50 years**.

Polish law lists almost 31 types of business activity which requires permission or permit. Some of them include:

- domestic and international road transport of passengers and goods;
- freight forwarding;
- railway stations;
- travel agencies;
- private investigation;
- detective services;
- conducting business activity in special economic zones;
- bank operation;
- insurance companies;
- broker agencies, investment and retirement funds;
- wholesale trade;



- alcoholic beverage production;
- casinos, lotteries and gambling.

20 types of business activity require registration in the **Regulated Activity Register**, these are:

- archiving of employees' and personal documentation;
- telecommunications;
- alcoholic beverage production;
- detective services;
- job centres;
- horse racing;

2.2. General rules of real estate purchase

Polish law guarantees freehold with a right to dispose (Civil Code of 23 April 1964). It may be limited only in some circumstances defined by Civil Code. Real estate purchase is regulated by provisions of Civil Code. Freehold is typically transferred by sales agreement which describes rights and obligations of its parties. There are also other agreements: agreement of exchange, donation, for cancellation of joined freehold of a thing; agreement of civil law partnership, in which one of the partners commits oneself to contribute freehold of a thing into the partnership; transfer of freehold of a thing in exchange for an annuity, life annuity; for alienation of an inheritance a part of which is freehold of a thing. Apart from agreements, freehold transfer may result from: a regulation of the law, court ruling or administrative decision. Both freehold transfer and perpetual use become valid by way of sales agreement that must be performed in a form of a notarial instrument. In cases of assigning ownership of moveables, the act does not provide for any requirement as to a specific form of transfer that must be applied. With

regard to real estate – a notarial deed (art. 75 – sale of lease of an enterprise or granting the right of usufruct) – a written form is sufficient, provided that signatures have been notariably authenticated. According to Polish law, it is also possible to make a pre-sale agreement for selected plot of land or plot of land together with buildings (the pre-sale agreement does not require notarial actions, though it is recommended). The pre-sale agreement may include an obligation of the other party to i.e. clarify legal status of the real estate or mortgage payments. In the event of freehold transfer, a purchaser becomes its owner on the date of signing a final agreement. In case of perpetual usufruct transfer, apart from signing the sales agreement it is also required that the property is entered into real estate register and Land and Mortgage Register kept by respective court. Purchasing a real estate from public authorities or government-supervised institutions requires special procedure such as tender (public or government authorities guarantee similar conditions for all potential buyers).

2.2.1 Real estate purchase by foreigners

Foreigners may freely buy real estate in Poland, however, there are various procedures depending on the investor's country of origin. Since 01 May 2004, when Poland joined European Union, it has also become a part of the European Economic Area, which made procedures of real estate purchase much easier for investors belonging to the European Economic Area. These regulations apply to acquiring co-operative property of premises as a limited rights in property.

Foreigners coming from outside the EEA area who intend to buy a real estate in Poland must obtain a permit of Minister of Internal Affairs issued in a form of an administrative decision. A standard procedure for obtaining such permit takes around 1 month.

Polish legal system provides various types of real estate rights:

- freehold (the widest range of rights concerning real estate),
- perpetual use (mainly with regard to land belonging to the State Treasury or self-government authority; usually for a period of 99 years, though it may be extended; its user may use this land in the same way as an owner but the aim of using this land is defined by way of an agreement and should be set prior to purchase a right to use, which means that the owner – State Treasury of territorial self-government may terminate such agreement in the event when the land is used in a contradictory way than defined by the agreement);
- mortgage,
- leasing.

Foreign entrepreneurs and citizens who are registered within the EEA do not have to obtain such a permit. Only purchase of agricultural and forest areas is limited. They are under protection; purchase of agricultural and forest areas within 12 years counted from 1 May 2004, requires obtaining permit even by foreigners registered in the EEA.

2.3. Institutions supporting foreigners opening a business

Practically, each bigger city within the territory of Eastern Poland may offer potential investors, particularly foreign ones, assistance at each level of the investment process by investor service departments. At the same time, in 5 voivodeships of Eastern Poland, there are investor service centers which also help investors to implement their investments within voivodeships. Both municipal offices and Investor Service Centers maintain a close cooperation with Polish Information and Foreign Investment Agency (PAIILZ) in Warsaw, which being a national agency for foreign promotion and investment Poland, assists investors from abroad in locating their enterprise in Poland.

The main purpose of municipal offices as well as voivodeship investor service centres is to act free of charge in the following scope:

- total assistance in the investment process;
- transfer of information concerning legal and economic environment of the region;
- assistance in finding a suitable location according to investor's requirements;
- management of visits in potential localization (meetings with local authorities, owners/operators of investment areas, particular sector/market investors and facility suppliers);
- assistance in identification of potential partners and suppliers for investors;

- preparation, in cooperation with PAIILZ and local authorities, a package of the support available in the form of regional and horizontal investment incentives (including real estate tax exemptions, labour market instruments of poviat employment office, CIT exemptions in Special Economic Areas) and central level actions together with the ones available within the scope of European funds;
- preparation an outline of actions presenting permit-obtaining process so that all project's participants understood local requirements and law;
- assistance in receiving indispensable permits with regard to investment process;
- solving problematic issues occurring in the course of cooperation with local and central authorities for other entities influencing the speed of investment implementation.

These institutions assist mainly in greenfield-type of investment, however, thanks to their knowledge, they also help in brownfield investments as well as – to a limited extent – in case of takeovers and mergers. A significant scope of work of these Offices and Centres involves monitoring further actions taken by an investor in the Region (after the investment had been commenced) in order to provide him with any kind of support and contacts which may add to the efficiency of his activity within the Macroregion.

2.4. Construction of a new facility

New facility construction procedure is a crucial element of the investment process connected mainly with a greenfield-type of investments. Particular phases of this procedure have been presented below.



2.4.1. Obtaining an excerpt from local spacial plan

A technical part of the local spacial plan is a fragment of a drawing regarding an area selected for investment while a descriptive part consists of information about purpose of the area.

2.4.2. Decision on land development or building permission for public purpose investment

Obtaining a decision on land development or building permission for public purpose investment is required in the event of lack of local spacial plan for each construction investment for which construction provisions require a construction permit as well as in case a change in the method of use of a facility or its part.

2.4.3. Land acquisition

Construction works must be preceded by purchase of land on which an investor intends to build and buy and he/she must obtain a title to this land. The investor that does not poses land and wants to commence an investment should start by obtaining information about a particular land. In the planning phase the investor bears costs with regard to plan preparation and information-gaining. The following actions should be performed prior to purchase of land:

- establishing the land owner,
- checking the actual legal status of the plot of land.

If the investor is interested in acquiring a land belonging to an individual entity, the acquisition is performed by way of negotiation with the entity, and if such negotiations are successfully completed, a notarial deed is signed. In case of buying land from the State Treasury or local government, a highly formalized procedure is required. Municipal assets may be **subject to sale, exchange, waiving of or letting on perpetual usufruct, rent or lease, lending for use, giving into permanent administration**. They may also be encumbered by limited property right which is made as non-financial contribution to a company or transferred as assets for newly-established national enterprises or as a property of newly created foundations.

2.4.4. Designing process

A construction design, which constitutes an appendix to an application for construction permission is prepared by a person with a building license within a particular specialty who is also a member of a respective professional council. The design consists of all the required opinions, arrangements, permissions and other documents defined by special provisions of law (with regard to all types of utilities, such as gas, water, electric power or access to existing roads).

At this phase, the investor may apply for a decision on the investment's environmental impact. The scope of such decision is connected with a production type or range of business activity. The environmental decision (or statement from local authorities that such decision is not necessary) is an indispensable element of the investment process as this is a condition for obtaining a construction permit. If the environmental decision is required, the investor must prepare environmental impact assessment.

2.4.5. Construction permit

Together with an application for construction permit, the investor must submit the following:

- statement of a title to dispose of the real property for construction purpose;
- construction project together with opinions, arrangements, permissions and other documents defined by special provisions of law and a valid confirmation that a particular designer is a member of a respective professional council;
- decision on building permission for public purpose investment if it is required by law;
- original copy of authorization or its certified copy (notarial or certified by a respective authority) if a plenipotentiary is appointed.

2.4.6. Investment implementation process

Construction works may be commenced on the basis of a final decision on construction permission or a report on construction work performance which do not require construction permit.

The investor is obliged to provide the Poviát Construction Supervision Inspector and Project Supervision Designer with intended date of construction work commencement, especially with respect to these works which require construction permit, within 7 days prior to their commencement.

2.4.7. Commissioning of a facility

The Poviát Construction Supervision Inspector (or Voivodeship Construction Supervision – as an authority of 2nd instance) are respective authority issuing a decision on commissioning of a facility. Once the investment is completed, the investor submits a report of the construction completion and intention to use it (when a permit for use is not required) or submits a report on construction accompanied by application for permit of use (if a respective authority imposed such an obligation in a construction permit).

3. Taxes



3.1. Income tax

- **Corporate Income Tax (CIT)** concerns income of legal entities and capital companies in the process of formation, organizational units with no legal personality (except for companies with no legal personality) and tax capital groups. Currently, the corporate income tax rate in

force is 19%. The tax calculation is performed after a tax year ends when taxpayers file a preliminary tax declaration on the amount of revenue (loss) until the end of a third month of the following year. This period is also a deadline for paying either a due tax or difference between a due tax and paid advance. Taxpayers must submit final declaration of income within 10 days of the annual report ap-

proval, not later than 9 months from the tax year end.

- Personal Income Tax (PIT)** concerns income of physical persons who may choose between income tax assessment according to general rules, i.e. according to 18% or 32% tax rate, or a linear tax of 19% or one of the lump-sum-tax forms (a lump sum on a recorded revenue or fixed amount tax). There are two sources of revenue: work-based and property-based.

3.1.1. Tax calculation on general rules

With a basic or a 19%-tax rate, the tax is paid on income, i.e. a difference between the actual revenue and the expenses.

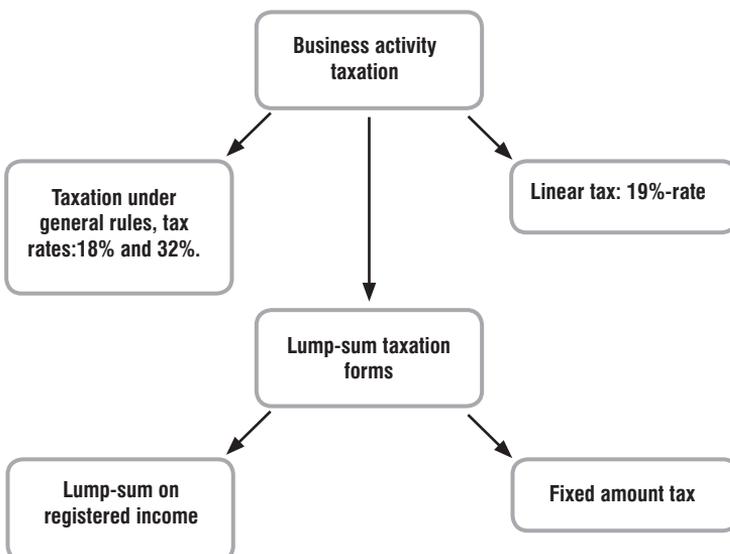
With a lump-sum tax, the expenses do not influence the tax amount, and with fixed amount tax, the amount of tax to be paid is neither influenced by revenue amount nor by expenses.

Tax calculation basis in PLN	Tax amount
from 85 528 PLN	18% minus tax decreasing amount PLN 556.02
over 85 528 PLN	PLN 14,839.02 plus 32% of excess over PLN 85,528

Further, the tax calculated according to the above-given rules may be lowered by:

Tax increasing amount	Monthly	Annually
	46.33 PLN	556.02 PLN
Tax-free annual income amount:		3091 PLN

CHART 1. Business activity taxation options



Therefore, while choosing forms of taxation, it is best to know the economic ratios of a company. Among others, the taxpayer should analyse amounts of revenue and expenses, including bookkeeping expenses which differ depending on a selected form of taxation.

3.1.2. Taxpayer's duties

Taxpayers who have chosen general taxation rules, i.e. an 18% and 32%-tax rate, are obliged to file on a respective form until 30 April of the following year a tax declaration on profit or (loss) gained in this tax year. Persons responsible for accounting ledgers (trading) must enclose annual balance sheet and profit and loss account to their tax declaration. Taxpayers who are obliged to file a tax declaration must also pay difference between a tax due and a sum of tax advance, including all the tax advanced paid (e.g. ordering party). The income tax calculated in tax declaration is a due tax for a particular year unless a decision about a different amount of tax is issued by a respective Internal Revenue Service. In the event when a tax declaration has not been filed, the Internal Revenue Service issues a declaratory decision defining the amount of income tax to

be paid. Taxpayers who fail to file tax returns are subject to penalty under Penal Revenue Code or those who fulfill that obligation in an incorrect manner are.

In case of a linear tax rate, a tax declaration must be filed until 20 January of the following year.

3.2. Taxes on goods and services

- **Value Added Tax (VAT)** – concerns the following: remunerative delivery of goods and services within the territory of Poland, export and import of goods, intra-Community acquisition of goods paid in Poland and intra-Community delivery of goods. The VAT is included in a price or service by a seller who is subject to the payment of this tax. This is a tax paid on obtained turnover (sales). Basic rate of VAT is 23%, 8% and 5% on food, books and specialized magazines.
- **Excise tax** – on all actions concerning sales of excise goods and passenger motor vehicles.

The following activities are subject to the excise tax:

1. excise goods production;
2. placing excise goods in bonded warehouse;
3. import of excise goods;
4. intra-Community acquisition of excise goods, excluding intra-Community acquisition of goods for bonded warehouse;
5. cancellation of goods from bonded warehouse, excluding excise collection suspension, excise goods which do not belong to the owner of a bonded warehouse, with exclusion of excise goods under exempt due to their intended, by the entity possessing permit for such cancellation.

While choosing a taxation form, it is recommended to consider the following:

- type of business activity that one intends to conduct;
- its scope;
- amounts of estimated revenue and expenses.

One ought to consider the choice of taxation method carefully, as a change of the selected method is not possible in the course of a tax year. It can only be performed at the beginning of a new tax year.



- **tax on civil law transactions** – is calculated pursuant to a respective act of law. The following entities are subject to the tax:
 1. purchaser signing sales agreement;
 2. both parties signing contract of exchange;
 3. person receiving gift signing deed of donation;
 4. real estate purchaser signing annuity agreement;
 5. purchaser of property or rights over participation in inheritance or co-ownership signing inheritance distribution agreement or contract of waiver of joint property;
 6. user or purchaser of real easement establishing use for award, including the irregular one as well as paid real easement;
 7. borrower or custodian signing contract of loan or irregular deposit contract;
 8. person making mortgage statement while signing mortgage contract;
 9. when signing a civil partnership agreement: business partners, and when signing an agreement of another company: the company.
- Tax rates have been varied as of type of civil action and are respectively the following:
- **with sales contract of**
 - a real estate, assets, perpetual usufruct, cooperative member's ownership right to living accommodation, cooperative right premises along with the rights arising under the law of cooperatives: a title to a single-family house and a title to a flat in a small residential building: **2%**,
 - other property rights: **1%**;

- **with contracts of exchange, annuity agreements, inheritance distribution agreements, cancellation of joint property and donation:**

- in case of transfer of ownership of real estate, assets, perpetual usufruct, cooperative member's ownership right to living accommodation, cooperative right to premises along with the rights arising under the law of cooperatives: a title to a single-family house and a title to a flat in a small residential building: **2%**,
- transfer of other property rights: **1%**;

- **with contract of use against remuneration**, including irregular usufruct and real easement: **1%**,

- **with contract of loan or irregular deposit: 2%**,

- **with mortgage contract**

- active debt security depending on its amount – **0,1%**,
- active debt security of unspecified amount – **19 PLN**;

- with company agreement – **0,5%**.

Additionally, there are taxes applicable to specific situations:

- **forest tax** – concerns forests excluding those occupied for the performance of business activity other than forest business activity;

- **farm tax** – concerns agricultural lands with the exception of the plots occupied for the performance of business activity other than agricultural business activity;

- **inheritance and donation tax** – concerns acquisition of ownership by physical persons of items or property rights by way of inheritance, donation or usucapion;

- **stamp duty** – concerns statutory proceedings, particularly of public administration character;

- **mineral tax** – companies extracting copper and silver are subject to tax on extraction of these minerals in pursuance of

the Act on Extraction of Certain Minerals of 2 March 2012 (Journal of Laws of 3 April 2012, item 362).

Differences affecting Polish entrepreneurs as taxpayers – depending on the location of conducting a business activity – are determined by local taxes and fees:

- **real estate tax** – concerns real estate and built features (land, buildings or their parts, premises or their parts connected with conducting business activity),

- **means of transport tax** – concerns vehicles defined in the act: lorries, truck-tractors and ballast tractors, trailers, semi-trailers and buses;

- **fair fee** – is collected from sellers at fairs

A municipal council establishes rates of the above-listed taxes and fees although in different municipalities, they never exceed a maximum statutory rate. Local tax law established by municipal council is binding only within the territory of a particular municipality. A very frequent element of tax policy of particular municipalities is a preferential tax rate for real estate tax addressed to entrepreneurs. Frequently, municipal councils differentiate real estate tax rates according to the business activity.

A taxpayer may donate a part of tax in favour of **public benefit organization**, however not more than 1% of tax as shown in a tax return. The donated 1% must be given away as indicated in tax return or it may be amended and then it derives from a tax return filed within 2 months of a deadline for filing tax returns for a particular year.



3.3. Tax exemptions

A municipal council can introduce entity-related tax exemptions. Some municipalities of Eastern Poland introduce exemptions depending on real estate tax with regard to new investment. The tax exemptions include: construction of premises and buildings or their parts as well as lands occupied with business activity, on which entrepreneur commences business activity, implements a new investment, incurs particular investment costs or creates new places of work. These exemptions also concern real estate connected with sewage system infrastructure, water supply system and hydrophore plant. They may take the form of regional investment aid or de minimis.

The law also provides for income tax exemptions linked to the location of an enterprise. Pursuant to legal provisions, on the grounds of special permit, entrepreneurs conducting business activity within Special Economic Zones use such exemptions. Special Economic Zones in the territory of Eastern

Poland are as follows: the Starachowie Special Economic Zone, the Euro-Park Mielec Special Economic Zone, the Suwałki Special Economic Zone, the Euro-Park Włoszów Special Economic Zone and Warmińsko-Mazurska Special Economic Zone.

4. Accountancy and finance



4.1. Financial reporting of business entities

Pursuant to the Accountancy Act of 29 September 1994, a financial report may take either an advanced or simplified form which means that the information it contains is prepared with a different degree of detail. Constituents of a financial report which are prepared by all entities keeping accounting books are as follows:

- **balance sheet,**
 - **profit and loss account,**
 - **additional information,** which contains information to a financial report and additional information and explanation.
- Two additional elements of a financial report such as cash flow statement and funds flow statement are prepared by the following institutions specified in the Act:
- banks
 - insurance companies
 - joint stock companies
 - other companies that in previous business year for which a financial report had

been made, satisfied at least 2 of the following conditions:

- average annual full-time employment amounted to at least 50 employees,
- total sum of balance sheet assets at the end of a business year was equal to EUR 2 500 000 in Polish currency,
- net income from the sale of goods, products and financial operations in a business year were equal to at least EUR 5 000 000 in Polish currency.

Moreover, joint-stock companies, limited liability companies, mutual insurance companies, cooperatives and State's enterprises must prepare a report on their activity.

4.2. New form of bookkeeping services

The current situation in the global financial market (the crisis) forces the companies to switch from using their own personnel to outsourcing services.

Still, in the Polish financial market accountancy outsourcing is treated with little confidence. This is caused, inter alia, by a widespread operation of accounting offices that often lack the right organizational, technical facilities and the right qualifications to be able to meet the expectations and challenges facing modern companies.

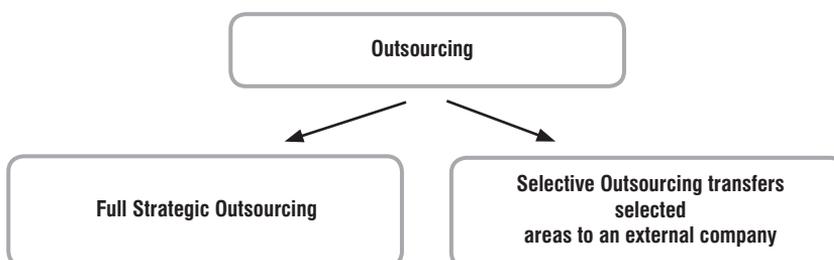
Benefits from in- or out-sourcing accountancy services:

- focusing on key, efficiency-increasing processes,
- more effective information management,
- 50%-cost reduction,
- higher quality of services,
- limiting the risk arising from incorrectly kept accounting books

A company undertaking the provision of outsourcing services is responsible for:

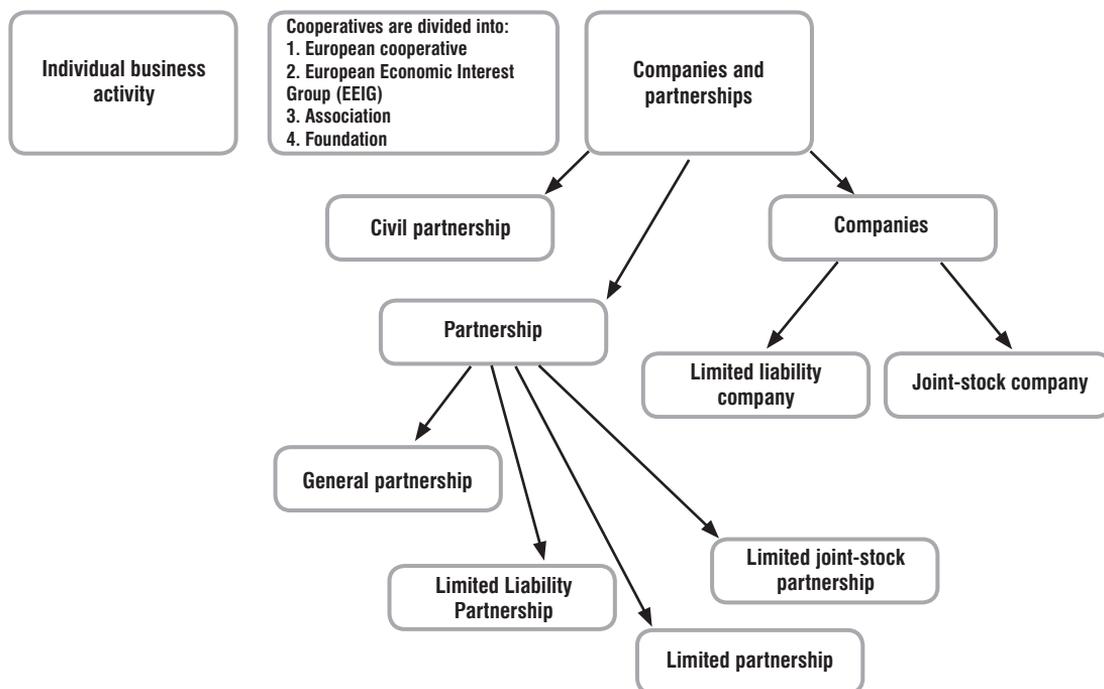
- implementation of a new financial and accounting system,
- re-design of accounting processes,
- procedure implementation,
- optimization of document circulation,
- preparation of accounting policy, company chart of accounts adjusted to customer's needs,
- process of implementation and preparation of workplace environment (expensive and time-consuming) results of that process (and an outsourcing company bears the responsibility for such results).

CHART 2. Types of outsourcing services



5. Forms of business activity

CHART 3. Types of business activity according to Polish law



The type of applied accountancy, be it a full or simplified accounting method, depends on company's type, amount of revenue and assets.

5.1.1. Civil partnership

It must have at least 2 partners. It operates on the grounds of a civil partnership agreement defining:

- scope of its activity;
- amount of financial and non-financial contributions;
- method of profit and loss distribution among business partners;

The scope of liability is regulated by the civil code. A private partnership is registered in a municipal council or the National Court Register. Private partnership agreement should be enclosed to an application for reg-

istration. A partnership is an agreement which ought to be specified in writing for evidence purposes (conclusion of the agreement in a different form is admissible)

Basic rules:

- civil partnership does not have legal personality. Contributions of business partners, tangible and intangible assets constitute joint property of business partners. Each partner has a right to such property proportionally to the shares he/she holds,
- civil partnership is an individual-entity company. Each individual files a partnership of physical persons, each of whom pays income tax individually. Insurance contributions for business partners may be paid by either a partnership or by business partners themselves. In this case, a company is a VAT-payer,

- civil partnership is assigned with a Taxpayer Identification Number (NIP) and National Economy Register Number (REGON);
- if civil partnership's turnover exceeds the amount of EUR 800 000, full accountancy method needs to be applied. If it reoccurs in subsequent years, a company must be transformed into a general partnership;
- each business partner has a right and obligation to conduct partnership business;
- business partners are fully responsible for undertaken obligations with their personal estate and their spouse's estate (if they do not have separate estate in matrimony). The amount of shares held by individual partners and the fact which one of the partners contracted a liability contributing to the arising difficulties is irrelevant - partners are jointly liable.
- in the event when a partnership defaults on its obligations, they are covered out of the partnership's estate. If the estate is insufficient, is covered out of personal estate of business partners;
- only business partners pay income tax proportionally to the income each of them obtain in a partnership. The partnership is a VAT payer;
- general partnerships whose turnover exceeds an amount of EUR 800 000 are obliged to apply a full accountancy method. Partnerships with a turnover lower than the above-specified limit may choose to pay a lump-sum tax on recorded revenue or maintain a revenue and expense ledger.

Basic rules of limited partnership:

- limited partnership is a specific form of general partnership;
- its business partners are divided into:
 - **general partners** who are responsible with their entire estate for the obligations of partnership;
 - **limited partners** whose liability is limited to the amount of a commendam sum (Commendam sum – a share; if non-financial, it needs to be specified in partnership articles);
- there must be at least one general partner and one limited partner;
- limited partner is not entitled to conduct a partnership business or to represent it, but such a partner can inspect partnership books and its balance sheet;
- each partner, being a physical person, settles his/her income tax on the income earned in the partnership. The partnership is a VAT payer.
- this type of partnership is obligated to apply a full accountancy method.

5.1.2. Partnerships

Partnerships do not have full legal personality. They may acquire property rights, assets and real estate as well as undertake obligations. Both methods of representation and rules of their conduct must be defined by a partnership agreement, and every amendment must be agreed upon with all partners.

Basic rules of general partnership:

- generally, it is established by business partners of a civil partnership whose turnover exceeds a limit of EUR 800 000 in two subsequent years;
- a partnership may acquire property rights in its own name;
- a partnership's estate is constituted by business' partners financial contributions, machinery, other tangible and non-tangible assets including all the assets acquired by a company during its operation. This estate constitutes a joint property of all business partners;

Basic rules of limited liability partnership:

- this is a form of a partnership established for freelance professions. As defined by the Act of law, partners in this kind of partner-

ship may be representatives of the following professions only: doctors, pharmacists, accountants, tax advisers, insurance brokers, architects, valuers or notaries,

- each partner bears responsibility for his/her actions and his/her potential employees. This means that he/she is free from guilt and responsibility for mistakes made by his/her partner or their employees;
- the principles of the operation of such a partnership, method of tax assessment and settlement are almost the same as in case of general partnership.

Basic rules of limited joint-stock partnership:

- in this partnership at least one partner is responsible with his/her entire estate (general partner) for the partnership's obligations, and at least one partner (shareholder) does not incur any liability for the partnership's obligations (!);
- shareholder is only responsible for the actions defined in partnership articles. His/her name must not be incorporated into partnership's name;
- partnership may issue shares;
- there is a requirement of a nominal capital in the amount of PLN 50 000;
- this partnership is represented by general partners;
- if a number of shareholders exceeds 25, the partnership must appoint a supervisory board (it may do so also with a lower number of shareholders);
- this partnership is represented by general partners. It does not have management board, only general meeting and supervisory board (which is obligatory if the number of shareholders is higher than 25);
- shareholder may represent the partnership only when he/she is legally empowered to do so.

5.1.3. Companies

A memorandum or articles of association prepared in a constitutes the grounds for a company's operation. Once a company is registered in National Court Register, they become a legal entity. Companies may commence their activity prior to registration at the National Court Register when they assume the name of a company in the process of formation.

Basic rules of limited liability company:

- minimal nominal capital is **PLN 5000**;
- minimal number of shareholders: 1;
- physical or legal entity may be a shareholder in this company;
- Management Board members can be jointly and severally liable for the company's liabilities, but only when enforcement procedure against a company has been ineffective (subsidiary liability);
- the company is represented by management board followed by shareholders' meeting and supervisory board and control board (there is no need to appoint it if the company's capital does not exceed PLN 500 000, and the number of shareholders is fewer than 25);
- a 19% income tax is paid by the company.

Basic rules of joint-stock company:

- minimal nominal capital is PLN 100 000;
- minimal number of shareholders: 1,
- the articles are an instrument defining the company's operation;
- the company may issue shares, i.e. securities that may be quoted at the stock exchange;
- the company acts through its bodies: general shareholders meeting, management board and supervisory board. The management board represents the company and is responsible for its business. A supervisory board is a supervisory body, while a general shareholders meeting, consisting of shareholders, decides about the most important issues of the company;
- a 19% income tax is paid by the company.

6. Personnel employment

6.1. Types of employment contracts in Poland

Forms of employment in the Polish economy are mainly based on different types of contracts of employment.

Definite period contract:

- always specifies precise period of employment defined by days, years or conditions;
- if parties to the contract have already signed a definite period contracts twice then the next contract must be an indefinite period contract.

Special types of definite period contracts:

- **substitution contract** when a person is employed as a substitute for another who is absent for a specific period of time due to a leave or other event;
- **trial period contract** used for new employees; it is signed for a fortnight, and in case of employing persons holding managerial positions, or positions involving material liability, such a period is extended to 3 months.
- contract for period of performing specific work.

Indefinite period contract:

- is open-ended and may be terminated for one of the reasons specified in the Labour Code and employment termination provisions.

Post-graduate internship:

- employer may, via Poviast Office of Employment, employ a graduate who is registered as unemployed;
- **employer** does not incur any costs connected with employment of such a person;

Legal basis for employment in Poland

- **Labour Code of 26 June 1974,**
- **State Labour Inspection Act of 13 April 2007,**
- **Employment Promotion and Labour Market Institutions Act of 20 April 2004,**
- **Social Insurance Act of 13 October 1998,**
- **Personal Income Tax Act of 26 July 1991.**

- **salary** for the internship is 120% of the amount of unemployment benefit;
- Employment Office pays **social insurance contributions.**

6.2. Types of civil-law contracts in Poland

Apart from contracts of employment, civil-law contracts are quite common in Poland.

Management contract (innominate contract):

- negotiated and established individually between an employer and manager.

Contract of mandate:

- legally regulated by civil code;
- a mandatory undertakes to perform specific actions for the benefit of a mandator for the final result of which the mandatory is not liable (agreement of due diligence);



- it is based on due performance of a mandated action;
- rules of minimum monthly salary and leave do not apply here;
- mandatory receives remuneration after completion of activities defined in the contract.

Contract for specific work:

- legally regulated by the civil code;
- a contractor undertakes to perform specific work, while a commissioning party undertakes to pay respective remuneration;
- contractor is responsible for the effect of his/her work
- rules of minimum monthly salary and leave do not apply here.

There are also other forms of employment available. The question of voluntary

work and the performance of the so-called 'telework' or temporary work, e.g. through temporary work agencies, becomes common nowadays.

6.3. Main duties of employer

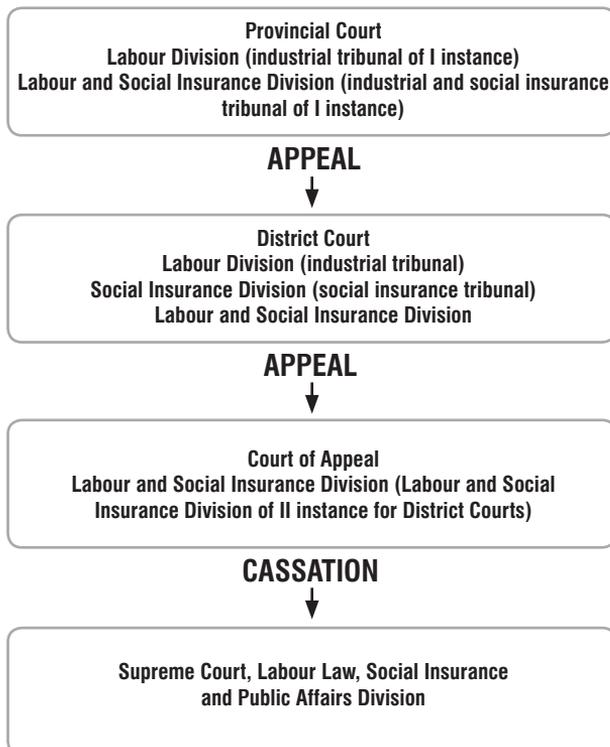
- organizing work in such a way which ensures full efficiency of time and achieving high efficiency and high quality of work by using employees' skills and qualifications;
- preventing discrimination at work;
- providing safe and hygienic work conditions;
- paying remuneration on schedule and bearing other costs of labour;
- making professional qualifications improvement more available;
- keeping and maintaining documentation of employment and employers' personal files.

State Employment Inspection has a wide-ranging supervisory authority over employers.

6.4. Disputes concerning employment law

Such disputes are considered by respective departments of provincial, district and appeal courts called Industrial Tribunals. The proceedings before an industrial tribunal is conducted in pursuance of the Civil Code.

CHART 4. Legal steps in labour law proceedings



7. Economic regulations



7.1. Business activity of foreign entrepreneurs and foreigners

The Freedom of Business Activity Act of 2 July 2004 constitutes the legal basis for business activity of foreign entrepreneurs.

Other foreigners are entitled to undertake and perform business activity by way of limited partnership, limited joint-stock partnership, limited liability company and joint-stock company as well as to join such companies,

take up and acquire stocks or shares, unless international agreements provide otherwise. Furthermore, foreign business persons may establish subsidiaries with their seats in Poland on the grounds of reciprocity. They may also create their representative offices in Poland (operating only with the aim of advertising and promoting a foreign entrepreneur).

Although the Macroregion of Eastern Poland offers an excellent location, fewer foreign enterprises operate in this area than in other macroregions.

The right to conduct business activity on the same principles as Poles is granted to the following groups of foreigners:

- citizens of the EU member states,
- member states of the European Free Trade Association (EFTA),
- citizens of states that are not parties to the EFTA agreement but who may use freedom of entrepreneurship under agreements existing between these states, the EU and its member states.

This right also applies to citizens of countries other than those listed above who hold a residence permit, refugee status, tolerated residence permit or possess a valid Polish Card.

7.2. Rules of commencing business activity (uniform for the entire country)

Entrepreneur may commence business activity:

- on a date of filing an application for registration in the Business Activity Registration or after registration in the Register of Entrepreneurs (only a capital company in the process of formation may commence business activity prior to registration);

The President of the Office for Competition and Consumer Protection (UOKiK) is an administrative authority competent in the matters related to competition and consumer protection.

It consists of the head office in Warsaw and 9 local offices. The following offices are located in Eastern Poland:

- local office in Bydgoszcz – for the Warmińsko-Mazurskie Voivodeship;
- local office in Cracov – for the Podkarpackie Voivodeship;
- local office in Lublin – for the Lubelskie and the Podlaskie Voivodeships;
- local office in Łódź – for the Świętokrzyskie Voivodeship.

- if a particular activity requires a concession, permit or licence, an entrepreneur must not commence business activity prior to obtaining of such;
- when a particular business activity is the so-called regulated activity, an entrepreneur should be registered in regulated business activity register.

7.3. Competition and consumer protection

This area is regulated by the Competition and Consumer Protection Act of 16 February 2007, the Unfair Competition Act of 16 April 1993 and the Unfair Market Practice Act of 23 August 2007. The provisions of competition and consumer protection derive largely from the European Union competition law. Among others, the Acts provide for:

- prohibition of competence-limiting agreements;
- prohibition of abuse of a dominant position;
- ban on enterprise mergers of anti-competitive nature;
- ban on practices violating collective interests of consumers.

Penalty for violation of these provisions may reach 10% of revenue of a particular entrepreneur in a year preceding a decision issued in that regard. Appeals against the decisions of the Office for Competition and Consumer Protection are considered by District Court in Warsaw – Court for Competition and Consumer Protection.

The law assigns some tasks of consumer protection to local government which are performed by the powiat (municipal consumer's ombudsman). No ombudsman has been appointed for entrepreneurs.

Provisions of the the Unfair Competition Act and the Unfair Market Practices Act constitute the basis for private and legal competence and consumer protection on the grounds of which entitled entities may institute legal actions at common courts of law

and may seek, inter alia: discontinuance of illegal actions, removal of their consequences, submission of an adequate statement or redress of the damage caused.

7.3.1. Domestic market protection

Principles of conducting international trade of goods, and by way of complementing the EU provisions, the principles of trade in commodities with third countries, are defined by the International Trade Administration Act of 16 April 2004.

Economic regulations with regard to domestic market protection are also defined in the Customs Act of 19 March 2004. By way of auxiliary regulation, the Act specifies the rules for importing and exporting goods to and from the customs territory of the European Union, for handling goods under Common Agricultural Policy, the method of transmitting the information for records and statistical purposes regarding goods trade with the EU member states, as well as the rights and obligations of persons resulting from such activity, and the rights and obligations of customs authorities.

The Customs Service is responsible for the implementation of customs policy with regard to import and export of goods including amount and collection of customs fees and taxes on import and export of goods (VAT, excise).

7.4. Company law regulations

The Commercial Companies Code of 15 September 2000 is a fundamental legal act regulating issues of companies in Poland defining provisions for establishing and operation of commercial companies which the Polish law defines as forms of cooperation between business partners or shareholders who undertake to achieve a common goal through the contributions they make or which are specified in a different manner in company articles.

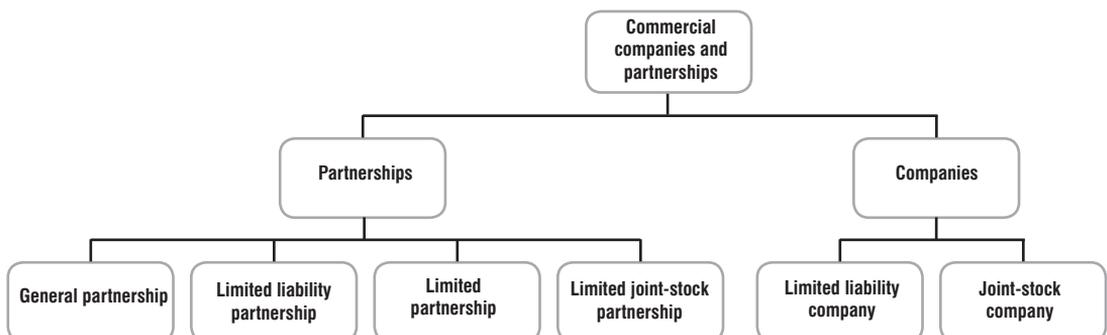
Permits for export and import of goods

The permits are granted on a petition submitted by an importer or exporter of goods by Minister of Economy, and with regard to agricultural and food products by the **President of Agricultural Market Agency**.

The Internet browser for tariffs

Department of Customs Policy of the Ministry of Finance runs an Internet browser for tariffs as a part of Integrated Customs Tariff Information System ISZTAR3. The browser presents both the EU data from TARIC system and the Polish data (VAT, excise) as well as some domestic non-tariff means not integrated into the TARIC database.

CHART 5. Forms of companies according to Commercial Companies Code



7.5. Regulations on economic trade contracts

Economic trade contracts are a basic tool used by entrepreneurs regardless of a form of a conducted business activity. They are defined as contracts in which at least one of the parties to a contract is an entrepreneur and which are concluded on account of business activity conducted by such an entrepreneur.

A characteristic feature of these contracts is the fact that the parties take advantage of the principle of freedom of contracts that applies in the Polish law. Freedom of contract means that each party to a contract may decide freely whether it wants to sign the contract, and also the fact that the parties may freely shape mutual relations. Only the following restrictions limit the freedom of contracts: its conflict with the Act, the principles of social co-existence and the nature of a legal relation that parties wish to establish. Another feature of such contracts is differences in restrictions regarding the conclusion of such contracts, e.g. permissibility of an offer withdrawal.

Differences between economic trade contracts may also touch upon issues of dates of contract fulfilment, e.g. prescription of claims.

There are two categories of economic trade contracts, the ones specified in the civil code - the so-called nominate contracts or such that have not been included there – innominate ones. There are also contracts of mixed nature.

7.6. The Bankruptcy and Reorganisation Law

One of the elements of the legal system regulating conduct of business activity includes the provisions regarding the effects of bankruptcy announcement as well as the principles of rehabilitation procedure for entrepreneurs facing insolvency. These issues, as well as norms of conduct in case of pursuing joint claims from insolvent debtors who are entrepreneurs, are defined by the provisions of the Bankruptcy and Reorganisation Law (Journal of Laws of 2009 no. 175, item 1361) along with an updated version of 20 July 2000 on announcing normative and certain other legal acts (Journal of Laws of 2011, no. 197, item 1172 and no. 232, item 1378). The basic principles of the regulation is ensuring the conduct of proceedings in such cases which aim at satisfying the creditor's claims to a maximum extent, and if it can be reasonably achieved, saving the debtor's enterprise (optimisation principle).

7.6.1. Bankruptcy

It is a procedure instituted in case of a financial insolvency of a debtor, involving mainly joint pursuit of claims by all his/her creditors to be repaid from the entire debtor's estate simultaneously.

The bankruptcy proceeding is conducted either as **liquidation bankruptcy** or

CHART 6. Agreements stipulated in the Civil Code



arrangement bankruptcy. The former aims at selling a bankrupt company and paying all creditors off, while the latter focuses on reorganization of a bankrupt company by way of an agreement and paying all creditors off by way of fulfilling such an.

7.6.2. Insolvency

Insolvency occurs when a debtor does not meet his/her required financial obligations. A debtor who is a legal entity or organizational unit without a legal personality, and to which legal capacity is granted by act of law, is considered insolvent also in the event when his/her financial obligations exceed the value of his/her estate, even though he/she still manages to fulfil current obligations.

Rehabilitation proceeding is applied against entrepreneurs facing financial insolvency, with its main aim of protecting them from bankruptcy and achieving a settlement with creditors. The entrepreneur faces insolvency when, despite fulfilment of his/ her obligations it is obvious (judging from reasonable evaluation of his/her economic situation) that he/she will become insolvent in a short period of time.

The rehabilitation procedure should list reorganization of obligations that may be subject to settlements in bankruptcy proceedings as well as the condition of company's estate and employment. The reorganization takes place by way of an agreement entered into at creditors' meeting.

7.7. Regulations on securities law

A fundamental legal act on securities law (classified as private economic law) is the Financial Instrument Act of 29 July 2005. Securities are documents or records made in an electronically maintained system in a securities account reflecting specific property

rights. Transfer of ownership of securities results in transferring the rights embodied in that security, hence the characteristic feature of obligations attached to securities is the fact that such obligations follow a transfer of a security. Generally, these obligations are subject to trade, either by **assignment** or **endorsement**.

In case of a security, a security issuer and an entity that has become its owner are parties to this legal relation. Securities may concern a variety of obligation types. Most commonly, it is an obligation to pay a particular sum of money (promissory notes, bonds) or right of participation in profit from an economic activity (joint stock company shares).

Endorsement

A written statement affixed onto a security on demand and containing at least the seller's signature, which constitutes a transfer of rights to the security onto another person.

Types of securities

Securities are only those documents which are granted such status by the regulations of the Law. However, Polish law provides for a wide range of securities. Most of them are listed by the Financial Instruments Act. Some of them are as follows:

- shares,
- bonds,
- global depository receipts,
- mortgage bonds,
- promissory notes,
- cheques,
- investment certificates.

8. Business protection

The regulations of the Industrial Property Law (hereinafter called: "IPL") of 30 March 2000 are based on international conventions and harmonised with the European Union law and therefore, an entrepreneur operating in Eastern Poland is protected by both – the Polish and the EU law.

8.1. Patent Law

An invention, constituting an intangible asset is under protection of the patent law. Although the law does not provide a definition of an invention, it is usually described as: "everything what is new, original and directly or indirectly leads to progress, in its broadest sense". There are four main categories of inventions, depending on the solutions: **products, appliances, methods and intended use**.

8.1.1. Invention

The following **must not** be considered as inventions:

- discoveries, scientific theories mathematical methods,

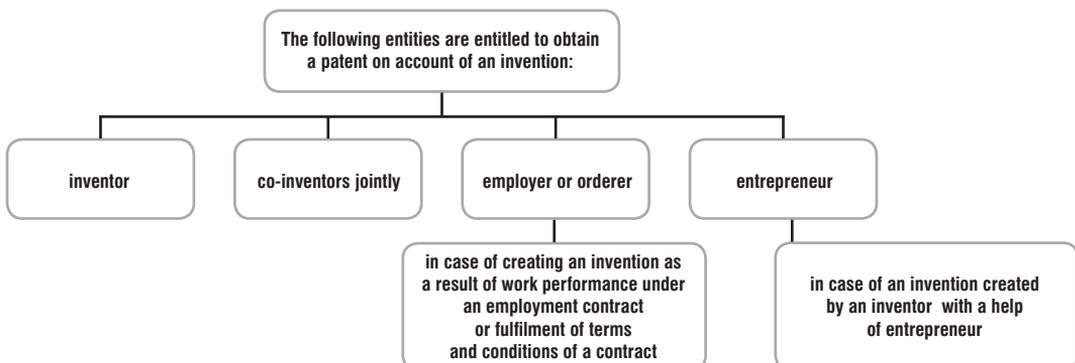
- products of exclusively aesthetic nature,
- plans, principles and methods concerning intellectual or economic activity and games,
- products whose inability to use may be proven by commonly approved principles of science,
- digital machinery programs,
- information presentation.

Patents are granted regardless of the field of technology – to inventions which are:

- new (are not a part of the state of technology),
- are of inventive nature (it is not obvious to others skilled in that field on the grounds of the present state of technology),
- are suitable for industrial applications.

Patent rights are valid for **twenty years** since the date an invention has been declared in **the Patent Office**. Twenty years is a maximum term, however, an earlier expiration of a patent may take place due to its waiver or non-payment of **periodical fees for protection of inventions or utility models**. During the entire period of patent

CHART 7. Entities entitled to rights on account of inventions



or utility model validity, its owner has a sole right to use it either to earn money from it professionally within the territory of the Republic of Poland.

8.1.2. Invention registration procedure in Poland

The fact of making an invention is notified to the Polish Patent Office by filing an application in order to obtain a patent or protection rights, whose obligatory and non-obligatory elements are presented in diagram 8. Patents and protection rights are subject to fees presented in table 1. Patent fees.

8.1.3. Invention registration procedure in the European Union

An invention may be also registered in the European Patent Office in Munich, its branch in the Hague, its sub-branch in Berlin, Vienna and Brussels, or, if legislation

Utility model

It is a new and useful solution of technical nature concerning shape, structure or combination of an item of permanent form. A utility model is regarded useful if it enables achieving a goal of practical significance in the course of a product manufacture or use.



CHART 8. Documentation for invention declaration

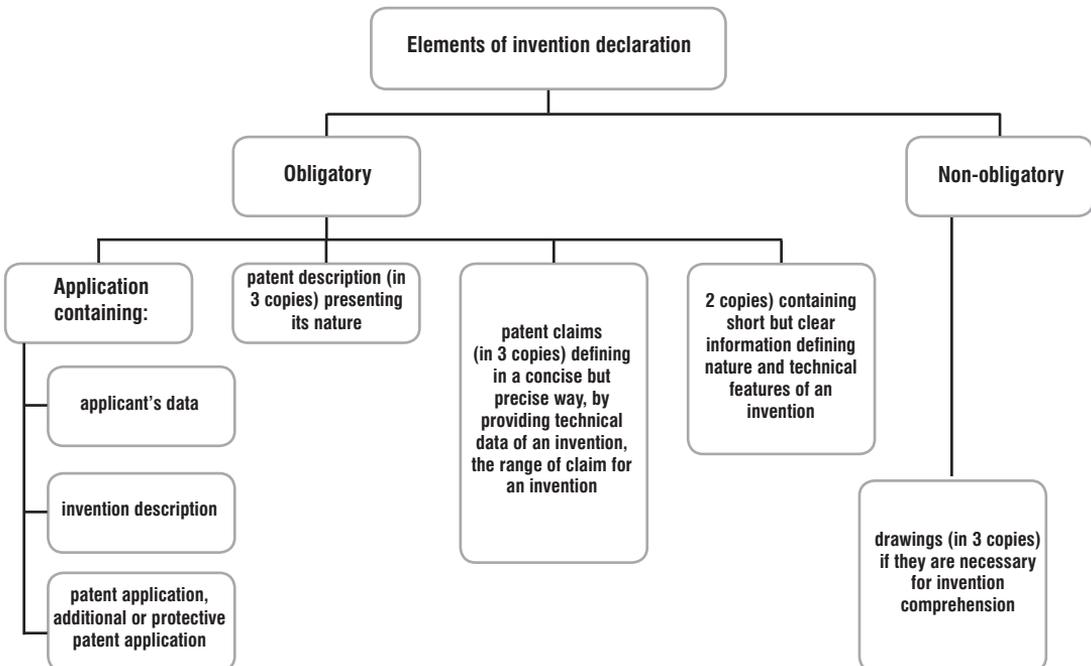


TABLE 1. Patent fees

	Fee (in PLN)
Invention declaration	550
Electronic invention declaration	500
For every page over 20 pages of a description, reservation of rights and drawings	25
For an application for granting protection right of a declared invention	100
For an application for amendment to register – every amendment	70

of a particular country so allows, in the Main Office of Industrial Property or in other respective authority of the parties in agreement. European Patent Office is a regional patent office which, on the grounds of the European Patent Convention, grants patents in the states belonging to the European Patent Organization. This organization currently comprises of 32 European states including all member states of the EU.

An application for a European patent may be filed by any individual or legal entity and any institution equal to legal entity by

law to which it is subject. The European patent enables obtaining patent protection in different countries under a single course of proceedings and on the grounds of harmonized provisions of the European Patent Convention.

8.2. Trademark

A trademark is registered at the **Polish Patent Office** and such a declaration must contain: **an application, form, description of a trademark, list of goods** for which a trademark is designed, **regulations** for a trademark and **authorizations** if a registering person acts by proxy. All useful information on patents and trademarks is available on the Internet website of the **Polish Patent Office: www.uprp.pl**.

8.3. Certificate

Certification is an act, as a result of which an entity independent of suppliers and receivers, grants written assurance that a product, process or service fulfils particular requirements.

A certificate is:

- a document stating the conformity of a product with properties declared by manufacturer or defined by provisions or norms;
- a document confirming a right to perform actions defined by it;
- confirmation of possessing competence with regard to skills defined by the certificate.

European patent declaration should contain:

- an application for granting European patent,
- description of an invention,
- one or more reserved rights,
- drawings referred to in the description or reserve rights,
- abstract of description.

A trademark – what is it?

A trademark means every marking which may be depicted in a graphic form, if such a marking is suitable for differentiating between the goods of one company from the goods of another company.

A trademark may particularly be:

- a list,
- a drawing,
- an ornament,
- a colourful composition,
- a spacial form including a form of goods or its packaging,
- a melody or another sound.

8.3.1. Obligatory certificates

A product may be introduced to the EU market, provided it has fulfilled the essential requirements set forth in the so-called 'New Approach Directives'. They regard either a group of products (i.e. toys, machines, elevators) or types of risk or phenomenon (noise emission, electromagnetic conformity). A product may be subject to several such directives and in such a case it must satisfy the requirements of all the respective directives. CE is a symbol of conformity. It is a manufacturer's declaration that a product has been tested for conformity and fulfils the essential requirements. If a product is subject to CE certification – and most New Approach Directives provide for it – it cannot be sold without it. At the same time, such marking is forbidden on products which are not subject to New Approach Directives that is for such products for which essential requirements have not been specified.

The Conformity Assessment Act of 30 August 2002 constitutes the most important legal act transposing the New Approach Directives into Polish law.

8.3.2. Non-obligatory certificates

In the EU, the **European Organisation for Testing and Certification (EOTC)**, founded in 1990, is in charge of awarding non-obligatory certificates. Its main task is to prepare standards for a non-obligatory certification system. This organization has created, among many others **KEYMARK** – the European system of conformity with requirements for European norms. **European Ecological Trademark Ecolabel** is another example.

In Poland, certification processes are conducted by notified bodies. Notification is performed prior to gaining accreditation of **Polish Accreditation Center** and their authorization by a competent minister or the head of a central office.

Requirements that a certified entity must satisfy through its adequate conformity as-

essment, are usually stipulated in **international norms** (i.e. ISO 9001, ISO 14001), regional (serial No. EN 45000), in **manufacturer's recommendations** (QS 9000, AS 9000), in **adequate associations** or **societies** (TL 9000, IWA 1, IWA 2) or by supervising institutions, or institutions interested in controlling the harmonization of a particular business activity.

8.3.3. Electronic signature certification

These certificates are defined mainly by the Electronic Signature Act of 18 September 2001. In Polish law, verification of a document prepared with an electronic signature or safe electronic signature, occurs on the grounds of a certificate or its qualified form.

A certificate is an electronic certification by the use of which, the data for electronic signature verification is connected with a person using electronic signature and which enables identification of such. "A regular" certificate may be created and issued by anyone. No approval or registration is necessary for its issuance. However, while issuing such certificate, the certification services authority must inform in writing that a safe signature verified by such certificate has no legal effects equal to a signature in handwriting.

Obligatory certification

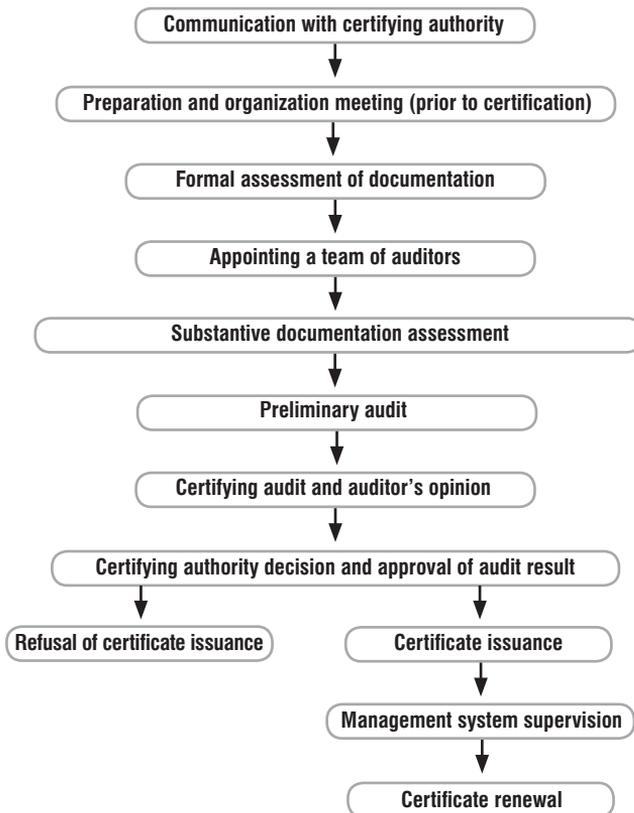
Since 1 January 2009, a obligatory certification in Poland comprises **energy certificate of flats and buildings**. This is a document defining the amount of energy required for a building to satisfy the needs related to the use of a building or premises.

Non-obligatory certification in Poland concerns:

- **Eco** – an ecological mark;
- **Q high quality mark**;
- **Polish Norm conformity mark**;

In Poland, ISO and HACCAP marks have gained a wide recognition.

CHART 9. Certification procedure



Source: Own compilation on the basis of: J. Łuczak (sc. ed.), 'Quality of services of management system certification', Poznań 2004, p. 54.

8.3.3.1. Qualified Certificate

It is a certificate that satisfies the conditions set forth in the Act of law issued by a qualified entity providing certification services, which in turn itself meets the requirements of the Act of law. Only this type of signature on electronic declaration of will is equivalent to a declaration of will made in writing. Safe electronic signature is the only one recommended to be used, if it is verifiable by such a certificate.

8.3.3.2. Obtaining a Qualified Certificate

To obtain a qualified certificate, a written contract with one of the qualified bodies providing certification services must be signed; this contract provides the grounds for certificate issuance. Before such a contract is signed, the entity providing certification services represents to inform in writing or electronic document in a clear and commonly comprehensible way about the precise conditions of use of such certificate. Issuing of a certificate is subject to a fee.

A time-limited nature of certificates

Certificates are valid through a specific period therefore, you should apply for issuance of a new one, prior to its expiration in order to guarantee a continuation of usage a certificate which produces specific legal effects. Certificates may at that time be suspended or cancelled in pursuance of the regulations of the law.

9. Public Procurement Law

Public procurement is granted by entities specified in the Public Procurement Law and defined as ordering parties. This group consists mainly of budgetary institutions (i.e. municipalities, poviats and voivodships), other national organizational units with no legal personality (e.g. police departments and national fire service units), so-called public law entities and a specific category of entrepreneurs conducting business activity in sectors of water economy, power engineering, transport and postal services (so-called sector orderers).

9.1. The EU thresholds

Characteristic quota thresholds result from the harmonisation with the EU legislation and they determine public procurement procedure. The amounts of thresholds are changed every 2 years and currently, pursuant to the regulation of Prime Minister of 23 December 2009 on public procurement and competitions which define the obligation of transferring announcement of Official Publications form European Communities to the Office (Journal of Laws of 2009, No. 224, Item 1795) and they are as follows:

- **for deliveries and services:** € 130.000, € 200.000 or € 400.000 (depending on type of orderer and order),
- **for construction work:** € 5 000 000.

The amounts provided above set thresholds for the application of provisions of respective directives; if the value of an order exceeds the thresholds, the procedure is conducted in pursuance of provisions of the directives.

This particularly means that announcements on such orders are published in Supplement to the Official Journal of the European Union. On the other hand, announcement on orders not exceeding EU

thresholds are published in Public Procurement Bulletin, available only in electronic version on the Public Procurement Official website.

9.2. Principles of the Polish system of public procurement

- **principle of preparation and conduct of the proceeding** in such a way so that it ensures fair competition and equal treatment of contractors;
- **principle of unbiased and objective treatment** in performance of activities with regard to preparation and conduct of public procurement procedure and their fulfillment by unbiased and objectives persons;
- **transparency principle** (specifically concerns offer opening, protocol of proceeding and signed contracts);
- **signature principle** (concerns offers only; they should be signed by hand – an offer submitted via telephone or fax must not be accepted);
- **tender priority principle** (basic modes of public procurement include limited and unlimited tenders; an orderer may use a different method only in cases defined by law).

Information essential for an effective application for public procurement are prepared and made available by orderer in form of a **document titled: specification of relevant conditions of public procurement** (com-

Legal basis (complies with the EU standards)

Public Procurement Law of 29 January 2004 (Journal of Laws of 2010 No. 113, Item 759 and No. 161 Item 1078).

What falls under public procurement?

Public refers to remunerative contracts made by orderers (regardless of origin of means assigned for payment), such as:

- services,
- deliveries,
- construction works.

The Public Procurement Law does not apply to procurement or competitions not exceeding € 14,000 in Polish currency and to procurement described in Article 4 of Public Procurement Act.

mainly used Polish acronym: **SIWZ**), precisely in the orderer's seat and his/her Internet websites.

9.3. Requirements towards contractors

Articles 22 and 24 of the Public Procurement Law name, among others, the following:

- **no reasons for exclusion (negative conditions):** a contractor must not be under circumstances which cause obligatory exclusion from public procurement procedure (such as bankruptcy or liquidation process, tax or social insurance contributions arrears, convicted for particular offences),

- **fulfilment of requirements of applying for public procurement participation (positive requirements):** in order to prove the capacity to perform an order, a contractor must demonstrate the ability of fulfilling the conditions defined by the orderer. The conditions must relate to the object of the order and be proportional to that object. These may be conditions concerning entitlements for a particular business activity or action, possessing adequate knowledge and experience, having the right technical potential and adequate personnel at his/her disposal to perform the order, and respective economic and financial situation.

Contractors may apply for public procurement jointly, combining their forces and quoting potential and skills of all members of such consortium. The provision binding since 29 January 2010, pursuant to which a contractor may depend on knowledge and experience, technical potential, personnel able to perform the order or financial capacity of other entities regardless of their legal character, may be a great aid. The potential essential for applying for a particular procurement may be then "borrowed" for the purpose of a specific proceeding.

TABLE 2. Tender modes

Modes preceded by obligatory announcement	Modes without announcement
in response to obligatory public announcement any interested contractor may submit: – an offer (in unlimited tender) or – request to participate in procedure (in other modes)	participation of limited group of contractors (in case of single-source procurement – only one contractor), invited to procedure by orderer (according to orderer's choice)
unlimited tender	negotiated procedure without publication,
limited tender	single-source procurement,
negotiated procedure with publication	request-for-quotations procedure
competitive dialogue	
electronic bidding.	

Source: Own compilation based on www.uzp.gov.pl

9.4. Principle of the best offer selection

Although they are defined each time in the **SIWZ**, they are specifically the following:

- one contractor may submit only one offer (individually or in consortium);
- content of an offer must meet the requirements contained in the **SIWZ**;
- submission of an offer binds a contractor with such an offer;
- the content of an offer must not be known prior to the date of its opening;
- negotiations between an orderer and contractor on a submitted offer or changes to its content are unacceptable;
- in the course of offer testing and assessment, an orderer checks whether there are no grounds for rejecting an offer. If such reasons occur, an orderer is obliged to do so;
- an orderer represents to select, on the basis of performed assessment, the best offer taking into account only this assessment criteria defined by the **SIWZ**;
- an orderer represents to inform immediately all other tenderers about the best offer selection.



9.5. Legal protections instruments

In the course of a public procurement procedure, adequate instruments of legal protection should be applied.

TABLE 3. Means of legal protection

Means of legal protection	
appeal	An appeal from a decision not complying with the provisions of law, actions or waiving orderer's actions are made to the Head of National Appeal Chamber; the appeal is considered by National Appeal Chamber (KIO) which issues a decision .
claim	A claim to a decision issued by KIO is submitted via the Head of National Appeal Chamber . It is considered by district court, respective for the orderer's seat and issues final judgement or decree in this case.

Source: Own compilation based on PARP data

10. Public-private partnership

Public-private partnership (PPP) is a form of cooperation between public and private sectors in order to implement investments or provide services usually monopolized by public sector. The Public-Private Partnership Act of 19 December 2008 provides the legal grounds for this kind of partnership. Moreover, the following acts of law are of crucial importance for such partnerships: the Construction Work and Services Concessions Act of 9 January 2009, the Public Procurement Act and Civil Code.

The object of the PPP is shared implementation of an undertaking based on task and risk division between public entity and private partner.

10.1. The PPP procedure

Generally, a tender is a starting point for the PPP procedure. Public entity after publishing an announcement in Public Procurement Bulletin or in the EU Official Journal, additionally publishes the information on planned PPP in Public Information Bulletin. The entity then selects an offer of the best relation between the price and other statutory criteria with regard to undertaking.

The PPP may concern:

- a) construction or renovation of a building,
- b) service provision,
- c) special work performance, particularly equipping the estate component in appliances increasing its value or utility,
- d) other services combined with management or maintenance of the estate component which is used for implementation of the PPP undertaking or is connected with it.

10.1.1. Statutory and non-obligatory criteria of offer assessment

Statutory:

- task and risk division between public entity and private partner;
- dates and amounts of estimated payments or other obligations against public entity, if they are planned.

Non-obligatory:

- division of income arising from the undertaking between public entity and private partner;
- correlation between own contribution made by public entity and private partner;
- efficiency of the undertaking implementation including the efficiency of the use of assets.

The non-obligatory criteria referring directly to the object of an undertaking include:

- quality,
- functionality,
- technical parameters,
- level of offered technologies,
- maintenance costs,
- technical support.

An exception from the above is a situation when private partner's remuneration is a right to benefit from the object of the PPP or this right mainly combined with financial compensation (then a selection of a private partner is made pursuant to the Construction Work and Services Concessions Act together with the PPP Act). In other situations, private partner is chosen according to public procurement provisions also taking the provisions of the PPP into account.

It should be emphasised that a private partner may propose an initiative of the project implementation, however, its official procedure is commenced by public entity.

For transparency of solutions, private partners should secure declared concepts for undertakings, e.g. by copyright, clearly informing about it as it seems to limit the risk of unintended use of concept declared by a private partner in the PPP without his/her participation.

10.2. The PPP contracts

As far as organizational forms of the already initiated PPP are concerned, local government units may establish companies listed in Article 14, Section 1 of the PPP Act of 19 December 2008. According to the latter, the PPP contract provides that in order to fulfill the contract, public entity and private partner may establish a partnership, limited partnership or limited joint-stock partnership, while public entity must not be a general partner.

The aim and scope of the company's activity must not exceed the scope defined by the PPP contract, however according to the rule stating that rights of the State Treasury to stocks and shares of a company are exercised by government administration authority which established a company as a public entity. Specifically, it entitled to carry out ongoing control of the undertaking implemented by private partner.

Pursuant to the PPP Act, the PPP contract is a preliminary condition for establishment of a PPP company, however, a different interpretation on the side of various control authorities must not be excluded. In this event prevention e.g. in form of consultation, is highly recommended.

The legislator forbids amendments to the provisions of the PPP concerning an offer, on the grounds of which private partner has been selected, unless such a need arises from the circumstances which could not have been predicted on the date of signing the contract.

10.3. The PPP financing

Economic undertakings (and the PPP is one of such), by definition, aim to generate a profit. Method of profit distribution is set forth in a PPP contract and/or the PPP company's bylaws.

After termination of the PPP contract, private partner or a company transfers to the public entity an estate component used for the fulfilment of the undertaking in non-deteriorated condition, accounting for its ordinary wear occurring through its intended use, unless the PPP contract states otherwise.

The PPP contract states that transfer of the estate component must be made for the benefit of the national or local government legal entity or a commercial company in which local government entity or the State Treasury entity holds at least a majority stake. A claim made by public entity against private partner or a company for transfer of the estate component expires after 10 years since the PPP contract has been terminated.

The PPP contract contains:

- private partner represents to implement the undertaking for remuneration and bear total or partial expenses to its implementation or which are to be borne by a third party;
- public entity represents to cooperate in achieving the undertaking's aim, particularly through own's contribution.

Partnerships as the PPP organizational forms:

- partnerships,
- limited partnership,
- limited joint-stock partnership.

The aim and scope of the company's activity must not exceed the scope defined by the PPP contract, however according to the rule stating that rights from the shares or stocks belonging to the State Treasury are performed by government administration authority that had established a company as a public entity.



Limitations to the PPP financing

The legislator introduced the limitations to the PPP financing. Mainly it concerns a rule that the budget is to specify a total amount up to which government administration authorities may take financial obligations under the PPP contracts in a particular year.

Contrary to the earlier legal regulation, the current one does not provide for any obstacles with regard to application for the EU funds subsidy, quite the contrary, it favours such an action. The way the EU subsidy has been eventually opened for the PPP was by amendments to the National Development Strategy Act of 6 December 2006 (Journal of Laws No. 227, Item 1658 and of 2007 No. 140, Item 984) amendments of Article 28, adding the Section 9: 9. Within co-financing operational programme also projects defined in Section 1, implemented in form of the PPP on the grounds of the PPP Act of 19 December 2008, may be co-financed. Furthermore, in the Article 18 of the PPP Act, according to which financing the undertaking out of national budget in the amount exceeding PLN 100 000 000 re-

quires an approval of Minister of Public Finance, the exclusion on financial means designed for operational programmes that are mentioned in the National Development Strategy Act of 6 December 2006 (Journal of Laws No. 227, Item 1658 and of 2007 No. 140, Item 984), was applied which improved the PPP implementation in comparison to other formulas.

10.4. The PPP investments forms

10.4.1. Contracting (subcontracting) agreements and technical supervision

These contracts are made between public sector and private entities for performance of a range of construction-designing and finishing works, deliveries of machinery and tasks arising from construction and design duties. Representatives of private sector do not contribute with their financial capital, they perform works ordered by public sector only.

In the contracting agreement for a particular investment, the risk incurred by the private sector with respect to remuneration is limited.

10.4.2. Service provision contracts

They are made between public sector and private entities for precisely defined services for the benefit of public authorities. Private companies do not contribute financially, they perform infrastructural services for the benefit of the and on behalf of public authorities only. For the performance of such services they are remunerated by the public sector. In case of chargeable services, the orderers settle with public sector.

10.4.3. Managerial contracts

Private entities are responsible for the operation and maintenance of public system of infrastructure or specific machinery subject to contracts between public sector. Private administrators are paid for the services they render by of the public sector. Often, also private entities bear costs of legal liability arising on account of non-compliance to norms. Similarly to contracting agreements, users of chargeable services settle with public sector.

Responsibility of private administrators is limited to the use of existing machinery and premises in a way guaranteeing adequate efficiency and assuring their proper technical condition while development of infrastructure and expenses with regard to it remain the responsibility of the public sector. Contracting agreements, technical supervision, service provision and managerial contracts do not involve capital engagement of private sector; they are exercised under contracts of mandate and contracts for specific work.

10.4.4. Leasing contracts

These contracts are made between public authorities and private entities. Under such contracts public entities make infrastructural machinery available to private entities' use (until termination of the contract) in exchange for a fee, taking into account the value of the equipment used.

Leasing contracts are often concluded together with contracts for management or concession contracts. In case of contract for management, due to the fact that they are concluded for several years, leasing contracts concern operational leasing. In case of a concession, a leasing contract most frequently has a form of financial leasing.

The PPP implementation forms:

1. not connected with financial engagement of private sector:

- contracting (subcontracting) agreements and agreements for technical supervision,
- contracts for service provision,
- managerial contracts.

2. connected with financial engagement of private sector:

- leasing contracts,
- concessions.

10.4.5. Concessions

This is the most common form of involving private sector into the financing of economic infrastructure. They are usually granted by way of public tenders which should guarantee a chance of selecting an optimal solution in terms of prices and results declared by the competing private sector entities.

Concessions take various forms and their nature involves the local authorities issuing permits for investments and operation of machinery or complete infrastructural systems, usually with the public sector maintaining the a right to regulate prices within the agreed scope, usually 20-30 years. During the period of concession validity, concessionaire maintains the investment process and machinery operation on its own behalf at its own risk.

Managerial contracts in brief

They are usually entered into by local authorities for a period not exceeding 10 years (usually 3-5) and include service provision for local community. Their main aim is to enhance operation and service activity with regard to economic infrastructure. Due to limited possibilities of increasing fees and personal cost reduction, these contracts are less exposed to political impact than other forms of private entity participation.

Main characteristics of a concession agreement:

- assignment of responsibility for running the investment process to private sector,
- assignment of infrastructural services operation to private entities,
- assignment of technical, operational and trading risk to private sector,
- remunerating private entities through fees paid immediately by users of these services.

For the period of the concession duration the private sector is granted ownership right of the assets. Public authorities agree with the concessionaire on type and size of future assets and services. Private entity is a service provider for consumers and interacts directly with them. Private entity bears full responsibility for the quality of provided services.

During the investment process, there are also other risks, such as risk arising from introduced standards and indicators obligato-

rily bidding a private entity under the contract, as well as the risk of keeping adequate quality of provided services for which public sector has been responsible until now.

10.5. Opportunities for PPP in Poland

Cooperation within the scope of PPP should attract the private sector entities. It provides the private sector with an opportunity of making huge investments in the undertakings and services for which the demand is high, and which will remain at a foreseeable level for a long period of time. Investors could count on specific tax benefits, i.e. arising from statutory liquidation of a double taxation.

TABLE 4. Most common forms of concessions with private capital

Acronym	Name	Polish translation
BOT	Build – operate – transfer	Zbuduj – eksploatuj – przekaz
BOO	Build – own – operate	Zbuduj – przejmij na własność – eksploatuj
BT	Build – transfer	buduj – przekaz
BLT	Build – lease – transfer	Zbuduj – weź w leasing – przekaz
CAO	Contract – add – operate	Podpisz umowę – uzupełnij – eksploatuj
DOT	Develop – operate – transfer	Rozwiń – eksploatuj – przekaz
ROT	Rehabilitate – operate – transfer	Odtwórz – eksploatuj – przekaz
ROO	Rehabilitate – own – operate	Odtwórz – przejmij na własność – eksploatuj
DBFO	Design- Build-Finance-Operate	Projektuj-Buduj-Finansuj-Operuj
BOR	Build-Operate-Renewal	Buduj-Eksploatuj-Odnawiaj

Source: T. Kuczborski, M. Stańczuk, 'How to obtain funds', 'Rzeczpospolita' 1999, No. 142, p. B3.

Chapter IV

Development of strategic sectors of economy



1. Food industry in Eastern Poland



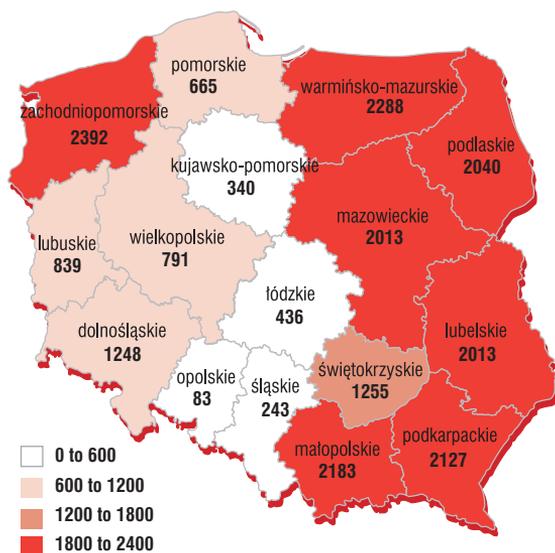
Agricultural and food processing in Eastern Poland develops mainly due to the strong agricultural tradition of the region and unpolluted environment. Favourable conditions exist especially in the Lubelskie Voivodeship because of the fertile soil and mild climate. However, the resources are fairly uniform and distributed evenly in all five voivodeships.

The dominant branches of the agri-food processing industry in Eastern Poland are:

- dairy industry,
- meat processing,
- soft drinks industry,
- fruit and vegetable processing,
- grain processing,
- sugar industry,
- brewing and distilling industry.

New opportunities for business cooperation are created by organic farming and organic food processing. Eastern Poland's resources are a natural base for the development of this branch of agri-food industry. More than 47% of Poland's organic farms are located in this Macroregion. Organic farms must hold special certificates confirming the origin and natural values of their produce.

MAP 1. Number of organic farms in Poland, 2011.



Source: Website of the 'Organic Food Valley' Project.

Eastern Poland as Eco-Macroregion

Eastern Poland's resources are a natural base for the development of organic food processing. Over 47% of Poland's organic farms are located in Eastern Poland.

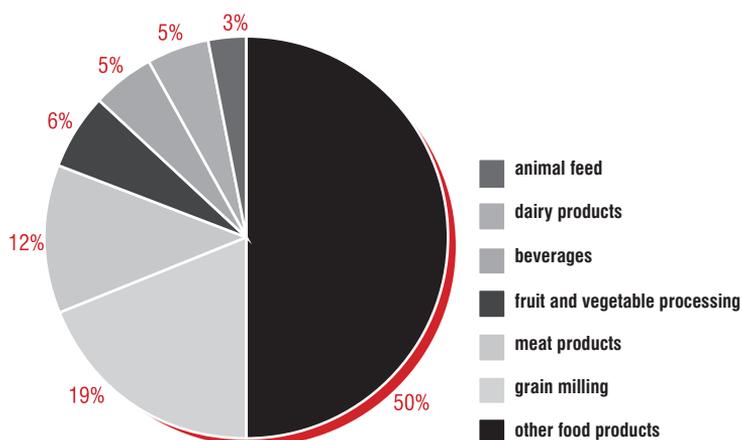
1.1. Sector size and structure

The importance of food industry in Eastern Poland is very high. In 2011 the value of sold production of this industry in Eastern Poland accounts for almost 19% of the value of sold production in the whole country.

1.2. Sector characteristics

Food industry is characterized by great diversity, fragmentation and dependence on the supply of components and sales markets. Eastern Poland is a region where virtually all branches of the food industry can be found. However, by far the most important are the dairy and meat industries.

CHART 1. Structure of food industry enterprises on the example of the Lubelskie Voivodeship (as of 31.12.2010)



Source: Own compilation based on CSO data.

TABLE 1. Sold production, average employment and average wages in food industry in Eastern Poland voivodeships.

VOIVODESHIP	2008	2009	2010	2011
Sold production of food industry (in millions PLN)				
Lubelskie Voivodeship	5 377.6	5 375.6	5 781.7	6 594.7
Podkarpackie Voivodeship	2 285.2	2 306.8	2 504.7	2 938.0
Podlaskie Voivodeship	7 177.7	7 894.1	8 367.4	9 792.2
Świętokrzyskie Voivodeship	1 709.7	1 846.7	2 092.9	2 721.4
Warmińsko-Mazurskie Voivodeship	7 333.3	7 709.9	8 552.0	10 229.2
Average employment in food industry enterprises (in thousands)				
Lubelskie Voivodeship	19.0	18.6	19.1	19.9
Podkarpackie Voivodeship	11.4	11.4	11.9	13.0
Podlaskie Voivodeship	13.1	13.4	13.5	14.0
Świętokrzyskie Voivodeship	7.1	7.2	7.6	8.3
Warmińsko-Mazurskie Voivodeship	19.2	18.0	18.3	18.6
Average monthly wages (gross, in PLN)				
Lubelskie Voivodeship	2 291.24	2 388.00	2 501.66	2 591.92
Podkarpackie Voivodeship	2 099.07	2 216.97	2 340.79	2 419.02
Podlaskie Voivodeship	2 590.54	2 589.02	2 812.03	3 028.00
Świętokrzyskie Voivodeship	2 100.01	2 214.54	2 355.61	2 480.49
Warmińsko-Mazurskie Voivodeship	2 271.75	2 376.93	2 529.57	2 684.07

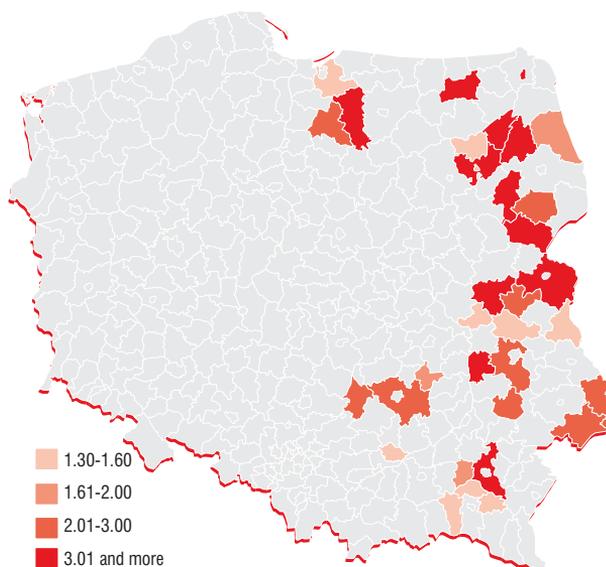
Source: Own compilation based on Central Statistical Office data

Food industry in Eastern Poland shows a high sales growth rate. It should be noted that the growth has been steady in the Lubelskie and Podkarpackie Voivodeships.

The strong position of the food industry in Eastern Poland is evidenced by the number of food processing firms from this area included in the national ranking of the 500

largest Polish companies. The highest number of such firms are based in the Podlaskie Voivodeship, while in the Podkarpackie and Świętokrzyskie Voivodeships there were no food industry companies with such a great potential.

MAP 2. Concentration of agri-food sector enterprises in the territory of Eastern Poland in relation to poviats (Polish Business Activity Code 15).



Source: Report on the development of cluster structures in Eastern Poland, ed. Bogusław Plawgo – report commissioned by the Ministry of Regional Development

TABLE 2. Changes in the sold production of food processing industry

VOIVODESHIP	Food processing						
	2006	2007	2008	2009	2010	2011	I-IX 2012
Lubelskie Voivodeship	109.8	104.1	100.3	110.9	111.6	101.4	99.0
Podkarpackie Voivodeship	109.9	100.8	102.4	102.8	112.4	105.7	106.4
Podlaskie Voivodeship	115.2	108.9	88.1	117.0	103.9	107.6	107.8
Świętokrzyskie Voivodeship	90.5	85.5	103.2	116.7	107.3	115.1	89.9
Warmińsko-Mazurskie Voivodeship	115.7	137.9	98.7	111.5	113.6	109.0	101.8

Source: Own compilation based on Regional Data Bank.

TABLE 3. Ranking of the 500 largest Polish enterprises by voivodeships of Eastern Poland.

Place in the 500 Ranking	Name and location	Sales revenues (in ,000 PLN)	Total revenues (in ,000 PLN)	Gross profit (in ,000 PLN)	Net profit (in ,000 PLN)	Employment
Podlaskie						
89	SM Mlekpól, Grajewo	2 946 039	2 990 039	36 367	28 121	2 249
91	Grupa Mlekovita, Wysokie Mazowieckie	2 910 117	no data	no data	no data	2 390
223	British-American Tobacco Polska SA, Augustów	993 944	no data	no data	no data	721
301	OSM w Piątnicy, Piątnica	705 818	722 866	6 210	1 748	646
352	Spółdzielnia Obrotu Towarowego Przemysłu Mleczarskiego, Białystok	580 462	581 675	9 863	7 620	370
Warmińsko-Mazurskie						
235	Wikpasz SA, Wadąg	1 050 196	1 054 648	34 519	28 070	812
245	Indykpol SA, Olsztyn	978 419	984 687	5 348	8 630	1320
Lubelskie						
425	Spółdzielnia Mleczarska Spomlek, Radzyń Podlaski	460 026	471 037	886	714	642

Source: Ranking of 500 by Polityka weekly. Ranking of the 500 largest Polish companies, in 2011 (as of 24 April 2012)

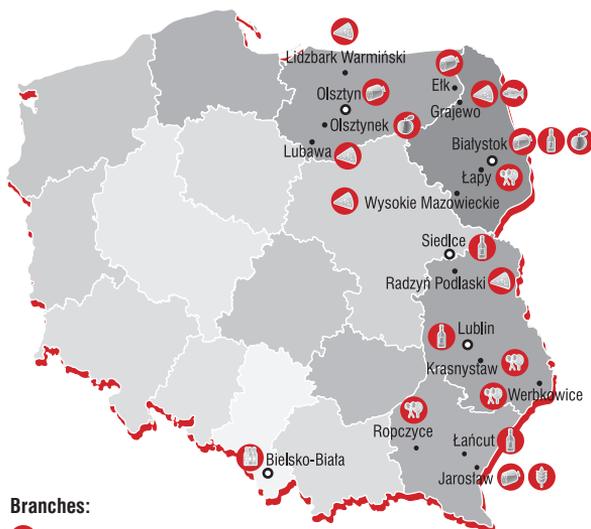
1.3. Sector development centres in Eastern Poland

Due to the rather high fragmentation of the food industry, it is hard to identify the main centres of its development. Moreover, much of the food industry is highly dependent on the resource base and sales markets, and therefore the location of agri-food processing plants is often determined by just those factors. Nevertheless, some attempts have been made to consolidate particular branches of the industry, many of them going beyond Eastern Poland.

1.3.1. Sector consolidation process

Such consolidation initiatives are mainly undertaken in the dairy and meat production sectors. Poland's two largest dairy co-ops, Mlekpól and Mlekovita, are based in Eastern Poland. Mlekpól Dairy Cooperative (Spółdzielnia Mleczarska Mlekpól) operates seven processing plants in Eastern Poland, located in Grajewo, Kolno, Mrągowo, Sejny, Augustów, Zambrów and Dąbrowa Białostocka. Mlekovita operates in the whole country, including Eastern Poland with plants in Wysokie Mazowieckie, Bielsk Podlaski, Morąg, Lubawa, Pilica, Susz, Działdowo, Białystok and Biała Podlaska. Another dairy cooperative, SM Spomlek from Radzyń Podlaski, operates on a much smaller scale.

MAP 3. The main centres of food industry in Eastern Poland (by branches)

**Branches:**

-  **meat:** Olsztyn, Białystok, Jarosław
-  **fish:** Grajewo
-  **dairy:** Wysokie Mazowieckie, Grajewo, Radzyń Podlaski, Lubawa, Lidzbark Warmiński
-  **oil:** Bielsko-Biała
-  **grain milling:** Jarosław
-  **sugar:** Werbkowice, Krasnystaw, Ropczyce, Łapy
-  **fruit and vegetable:** Białystok, Olsztynek
-  **alcoholic beverages:** Białystok, Lublin, Łańcut, Siedlce

Source: Own compilation based on Central Statistical Office data

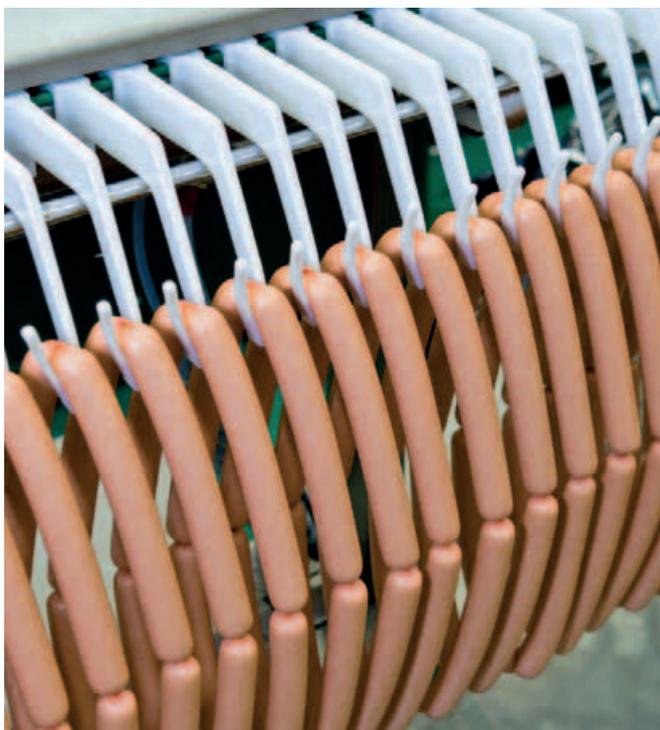
Besides its main plant in Radzyń Podlaski, it also operates plants in Parczew and Elbląg.

An example of the consolidation processes in the meat industry in Eastern Poland is Indykpol Holding Group (Grupa Kapitałowa Indykpol). The core entity of the group is Indykpol company based in Olsztyn. In 2000 it took over the Poultry Company Lubdrob SA based in Lublin. Moreover, Indykpol Group is also implementing a vertical integration strategy by acquiring poultry farms.

1.4. Success story

1.4.1. Łmeat-Łuków Meat Factory

Łmeat-Łuków Meat Factory (Zakłady Mięsne Łmeat-Łuków S.A.) is one of the largest and most modern manufacturers of the meat sector in Poland, existing since 1973. At that time the factory was owned by the Regional Meat Industry Company (Wojewódzkie Przedsiębiorstwo Przemysłu Mięsnego) in Lublin. From 1 August 1998 the enterprise operated as a joint-stock company wholly owned by the State, and was privatized in 2003. To ensure high quality and safety of products, the company implemented the HCCAP and ISO 9001 systems. The company also holds other certificates attesting the quality of its goods. These include the Certificate of Compliance with the International Food Standard (IFS) and the Certificate of Compliance with the BRC Global Standard for Food Safety (range: slaughtering, meat cutting, processing and storage of meat and meat products), the certificate of "McDonalds Supplier Standard" on beef slaughter and partition. The company also cares about the environment by building its own sewage treatment and water treatment plants. What is more, Łmeat-Łuków has been awarded twice the Consumer Laurel (Laur Konsumenta) award for canned meat products – an evidence of customers' satisfaction.



In 2008, Łmeat-Łuków factory implemented the "Closer to each other" ("Blżej siebie") programme, whose aim is to build a base of resources. The programme participants (besides farmers and Łmeat company) are feed manufacturers, piglets suppliers and BGŻ Bank which offers loans to breeders. The programme has secured 65% of the supplies needed by the company.

Despite the difficult economic situation on the world markets, in 2009 the company's revenues grew by 13% and the net profit by 50%. In the same year export accounted for 31.8% of the company's revenues. In 2009, Łmeat-Łuków was awarded the title of "Outstanding Exporter of the Year 2009" and received a Grand Prix statuette from the Ministry of Economy. It is now the second largest company of the meat sector in Poland. In the near future the company is going to increase its production capacity and expand the distribution network (5 distribution centres operate and subsequent ones are being started up), as well as to increase the number of company stores (presently there over 160 of them). "Łmeat – Łuków" S.A. meat processing plant won a title of Pillar of Polish Economy 2011 in the 7th edition of the Pillar of Polish Economy ranking 2011.

1.4.2. SM Mlekpól, Grajewo

Mlekpól Dairy Cooperative (Spółdzielnia Mleczarska Mlekpól) from Grajewo (Podlaskie Voivodeship) operates twelve processing plants and is the largest dairy co-op in Poland. It is the manufacturer of such brands as Łaciate and Milko. The Dairy Plant in Grajewo was established in 1979 and a year later the Regional Dairy Cooperative in Grajewo was established. It has operated under the name of Mlekpól since 1993. The company's share of the domestic UHT milk market is over 40%. A large portion of the company's production is exported to almost all countries of the world. Milk powder produced by Mlekpól accounts for 64% of its ex-

ports. The plants are certified under ISO 9001 quality standard.

Over years, the company has won many prestigious awards. It received an honourable mention in the consumer goods category in the Business Master (Mistrz Biznesu) competition organized by Businessman.pl magazine. This title is awarded for promoting innovative and ethical standards in business. In 2010, Łaciate brand was awarded the title of a Superbrand, which made it one of the strongest consumer brands on the Polish market.

In 2010 the company also completed the construction of a new production facility, where up to 150 tonnes of cheese is packed each day. The project cost around PLN 30 million. At present, Mlekpól is ranked 332nd in the list of the largest enterprises in Central and Eastern Europe.

The same year the entity completed next investment i.e. construction of a new production hall, and now it is able to pack up to 150 tons of cheese a day. Around PLN 30 million were spent on this purpose. Mlekpól entity is ranked on 332 position of the list of largest enterprises in Central and Eastern Europe. In 2012 Dairy Co-operative "MLEKPÓL" based in Grajewo took the 4th



place in “Ranking 500” – a list of the largest food processing companies in Poland and the 1st place among dairy-making companies.

1.5. Foreign investment

According to 2011 data (PAIIIZ database of the largest foreign investors), agri-food sector was the one with the largest number of businesses with foreign capital in Eastern Poland – approx. 25% of all such entities. This sector is also considered by investors as the one that offers the best opportunities in three voivodeships of Eastern Poland: the Lubelskie, Podlaskie and Warmińsko-Mazurskie.

Foreign investment in Eastern Poland – sector of greatest opportunities

Food industry has been recognized by investors as a sector which offers the best investment opportunities in three voivodeships of Eastern Poland: Lubelskie, Podlaskie and Warmińsko-Mazurskie Voivodeships.

1.5.1. CEDC, USA

CEDC (Central European Distribution Corporation) company from the USA has invested in Polmos Białystok, which is one of the largest producers of spirits in Poland. The company offers a wide range of high quality vodkas (pure, dry, semi-dry and sweet) as well as brandies, liqueurs and low-alcohol beverages. Polmos' products are sold mainly on the domestic market.

In 2007, the liquor tycoon CEDC USA bought a controlling stake in Polmos. The investment was considered the biggest ever in the spirits sector. CEDC is the world's largest spirits producer and distributor with a consolidated profit of USD 205 million in 2011. Due to the acquisition of Polmos, CEDC currently controls 33% of the vodka market in Poland. However, the acquisition of the majority stake was not the only investment of the American company. Pursuant to an earlier agreement, CEDC also invested in the construction of a rectifying plant, which was launched on 27th of November 2007.

TABLE 4. The biggest foreign investors in the food sector.

Company	Voivodeship	Country of origin	Core business
Materne Polska	Lubelskie	Belgium	fruit and vegetable processed products
Uren Novaberry Sp. z o.o.	Lubelskie	England	frozen fruit and vegetables
Osmofrost Sp. z o.o.	Lubelskie	Germany	frozen fruit and vegetables
Należczowianka Sp. z o.o. (Nestle)	Lubelskie	France/Switzerland	soft drinks and mineral water
Biłgorajska Wytwórnia Win Ambra S.A.	Lubelskie	Germany	production of alcohol products
Alima-Gerber	Podkarpackie	USA	production of juices and formulas for babies
CEDC	Podlaskie	USA	spirits
British-American Tobacco Polska S.A.	Podlaskie	England	tobacco products
Smithfield Food (Morliny – Elk, Ekodrobie – Ilawa)	Warmińsko-Mazurskie	USA	meat production
Heineken	Warmińsko-Mazurskie	the Netherlands	brewery production
Stock Polska Sp. z o.o.	Lubelskie	USA	spirits

Source: Own compilation based on PAIIIZ's investor database

1.5.2. British American Tobacco Polska SA, an international tobacco company based in London

The company started its operations in Poland in 1991 and in November 1995 it bought 65% of shares of Przedsiębiorstwo Wyrobów Tytoniowych w Augustowie SA (Tobacco Products Company in Augustów). Since January 1, 1997 the company has operated under the name of British American Tobacco Polska SA. Nowadays, the company has a 17% share of the Polish retail market of tobacco products.

In pursuance of its obligations under the share purchase agreement, BAT invested in new facilities and production lines, improved working conditions, computerized work stations, and implemented a regional tobacco growers support programme. In 1996, a new boiler room was built and in 1998 – a tobacco cutting room. BAT currently employs more than 1 000 people. Up till now, it has invested over USD 200 million in Poland and is going to invest more.

In the coming years the number of foreign investors in the food industry in Eastern Poland voivodeships is expected to rise. It will be encouraged by such factors as cheap and well-educated workforce (low labour costs), relatively good and cheap resources for production and environmentally friendly agriculture.

1.6. Clusters and supporting organizations and associations

Taking into account the internal growth potential of Eastern Poland, food industry is one of the leading areas of its economy. The importance of food industry in the Macrореgion can be evidenced by the number of cluster initiatives undertaken in this sector.



1.6.1. Organic Food Valley

One of such clusters is Dolina Ekologicznej Żywności (Organic Food Valley). Being an open organization focused on large-scale cooperation, it is likely to become a leading organic food cluster in Eastern Poland. More often than not, cluster initiatives concentrate on regional products or local agricultural production of a particular type. The examples of such organizations are: Epoka Gryczoka, Klaster Cebularz Lubelski (Lublin Onion Cluster), Klaster Kalafiorowo-Brokulowy (Cauliflower and Broccoli Cluster), Klaster Ogrodniczo-Sadowniczy (Gardening and Fruit Growing Cluster). Equally important are undertakings focused on the promotion of regional food products (e.g. "Naturally from Podlasie") or closer cooperation in a specific branch (e.g. Podlasie Baking Cluster).

1.7. Sector's growth potential

Eastern Poland also has sufficient intellectual potential which could contribute to the sector's growth. In all the voivodeships (excluding the Świętokrzyskie Voivodeship) there are institutions of higher education which offer courses in food technology and human nutrition. These are:

- **in the Lubelskie Voivodeship:** University of Life Sciences in Lublin,
- **in the Podkarpackie Voivodeship:** University of Rzeszów in Rzeszów, Higher School of Commerce in Przemyśl,
- **in the Podlaskie Voivodeship:** State Higher School of Computer Science and Business Administration in Łomża,
- **in the Warmińsko-Mazurskie Voivodeship:** University of Warmia and Mazury in Olsztyn.

Moreover, higher education institutions are expanding their offer by introducing appropriate specialisations so that future graduates are well prepared to work in the food industry. An example might be the food chemistry course at the University of Białystok, Faculty of Biology and Chemistry. The intellectual potential is also strengthened by expanding the existing scientific and research base. The project entitled "Development of the School's infrastructure including a modern agri-food processing laboratory" implemented by the State Higher School of Computer Science and Business Administration in Łomża can serve as a good example. The project consists of: construction of a new building for the Food Technology Institute along with laboratory and technology facilities designed for educational purposes as well as purchase of necessary equipment, appliances, furniture and computers.

1.8. Development prospects

- Five voivodeships of Eastern Poland have a relatively good scientific and research base (higher schools and universities) and appropriate institutional environment.
- Huge educational potential of the Macrorregion – a well-developed system of secondary and higher education.
- A separate operational program has been developed specially for this region, which might also benefit food processing enterprises. Cooperation in this area is considered as a priority.
- At present, the level of concentration of the food industry is low, however, the concentration process will continue, leading on one hand to a reduced number of entities, and on the other – to an increase in their market shares.
- The sold production forecast for the food industry suggests that in the coming years this sector will see a steady growth.
- Due to environmentally friendly farming methods, Eastern Poland has relatively good and cheap resources for production.
- As the number of private businesses is increasing and entrepreneurs' activity is growing, the cluster initiatives that have been started are likely to be continued and developed in the future.
- The existing infrastructure is favourable for investment in the food industry.

2. Timber, paper and furniture sector in Eastern Poland

2.1. Sector's size and structure

The afforestation politics in Poland in 2011 contributed to the increase in the surface of forests by 2.81%. Similar effects were registered in the voivodeships of Eastern Poland. The biggest growth in the surface of forests occurred in the Lubelskie Voivodeship and a little lower growth in Świętokrzyskie Voivodeship. In the Podlaskie and Warmińsko-Mazurskie Voivodeships the growth of forests' surface in 2000–2010 was over 3.5%. Only the Podkarpackie Voivodeship registered growth below the national average and it was a little over 2%.

In 2011 the forests of Macroregion Eastern Poland constituted 32.04% of the surface of Polish forests and the share of Eastern Poland voivodeships in logging activity at this time was 29.42% of total logged wood (from among 5 voivodeships of Eastern Poland the biggest logging was registered in the Warmińsko-Mazurskie Voivodeship).



Afforestation rate in Eastern Poland

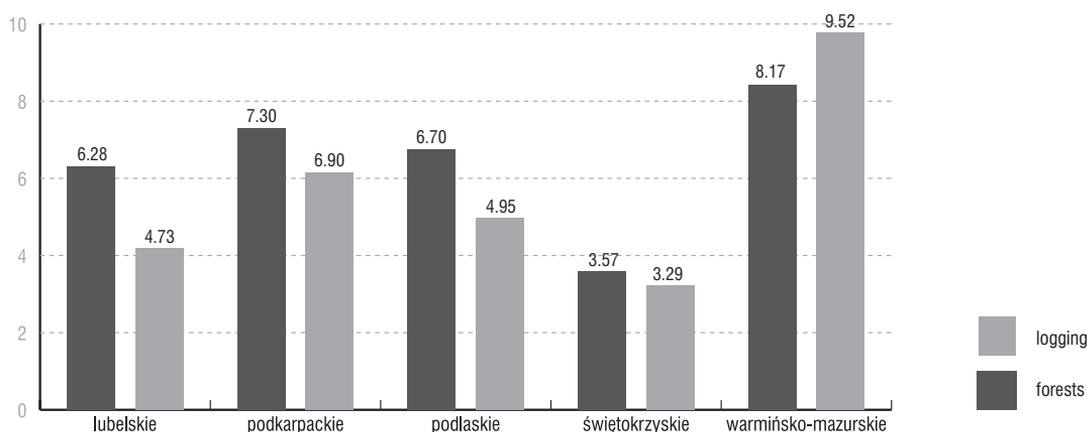
Voivodeships in Eastern Poland feature a large diversification of afforestation rate. The Podkarpackie Voivodeship has the largest afforestation rate of 37.6%, and the smallest afforestation rate (23%) was registered in the Lubelskie Voivodeship that has typical agricultural character. In other voivodeships the afforestation rate is close to the national average.

TABLE 5. Forests in general in 2000 and 2011

	2000	2011 (in thou.)	Growth 2000–2011 (in %)	Part of forests in general in %	Afforestation rate in %
Lubelskie	551 493.0	587.9	6.60	6.28	23.1
Podkarpackie	650 015.8	682.7	5.02	7.30	37.6
Podlaskie	595 609.1	627.2	5.30	6.70	30.6
Świętokrzyskie	314 440.4	334.3	6.31	3.57	28.0
Warmińsko-Mazurskie	713 020.3	764.1	7.16	8.17	30.8
Poland	8 864 993.5	9 350.7	5.47	100.00	29.2

Source: Own compilation on the basis of Central Statistical Office data.

CHART 2. The share of forests and participation in the of timber logging in Poland in 2011 (in%)



Source: Personal document on the basis of Central Statistical Office data.

2.2. Description of the major development centres

Eastern Poland is one of the main development centres of timber, paper and furniture branch in Poland. The share of income from the sale of companies that work in this branch in Eastern Poland in the income from sales of the entire sector in Poland in 2011 was over 14.8% (PLN 11.8 b) and employ-

ment rate (about 61 000 people are employed in this branch in Eastern Poland) in the sector in total – 22.1%.

Salaries in the timber, paper and furniture industry in Eastern Poland are lower than those in the same sectors in other regions of Poland. It makes this macroregion very attractive for investors. An average gross salary per month in the sector of production of wooden elements in March 2011 in Poland amounted to PLN 2 539.84 and in case of Eastern Poland it was PLN 2 476.60 (only in the Podlaskie

TABLE 6. Income from the sale of timber, paper and furniture sector and employment in Eastern Poland in January–March 2011 divided per voivodeship

	Lubelskie	Podlaskie	Podkarpackie	Świętokrzyskie	Warmińsko-Mazurskie	Eastern Poland
Income from sales in PLN m						
wooden products	133.3	343.9	631.2	121.0	304.3	1 533.7
paper industry	173.3	54.9	57.7	–	63.1	349.0
furniture industry	269.9	60.4	347.6	18.4	660.8	1 357.1
total	576.5	459.2	1 036.5	139.4	1 028.2	3 239.8
Employment						
wooden products	3 482	3 704	6 600	2 751	7 100	23 637
paper industry	2 024	613	1 300	–	1 100	5 037
furniture industry	5 999	1 697	9 400	531	14 800	32 427
total	11 505	6 014	17 300	3 282	23 000	61 101

Source: Own compilation based on Central Statistical Office data

Voivodeship it is higher than the national average – PLN 2 946.06, in the remaining 4 voivodeships it is considerably lower: the lowest salary was recorded in the Świętokrzyskie Voivodeship – PLN 2 023.94). In the paper industry the average gross salary in Poland was PLN 3 681.88, while in Eastern Poland it was – PLN 2 744.63 (even in the Lubelskie Voivodeship, which is the leader of the paper industry in Eastern Poland, gross salary was PLN 3 259.47 in March 2011).

In the furniture industry average gross salary in the whole country was at the level of PLN 2 577.17 and in Eastern Poland – PLN 2 411.04 (only in Lubelskie Voivodeship did it exceed the national average amounting to PLN 2 772.95).

2.3. Sector development centres

The main centres of this sector in Eastern Poland are the following voivodeships: the

Warmińsko-Mazurskie, Podkarpackie and Lubelskie. The participation of the Świętokrzyskie and Podlaskie voivodeships is smaller. The leading role in the development of the sector is played by the furniture and wooden products' sector. It is associated with the possibility of logging in the territory of Macroregion Eastern Poland. In the Podkarpackie and Warmińsko-Mazurskie voivodeships, where the highest logging rate from 100 ha of forest surface is recorded, the highest growth of wooden elements' production is observed. A slightly different situation concerns the paper industry in Eastern Poland where production leaders are the following voivodeships: the Lubelskie and Podkarpackie. The development of this sector in the Macroregion is confirmed by the fact that the production of paper pulp and paper do not need to be strictly correlated with material resources as is the case for wooden goods and furniture production.

TABLE 7. Consumption of wood and paper industry products in 2011.

	Lumber		Fibreboards		Particle boards (in m ³)	Paper and cardboard in tons
	in general in thousands m ³	inc. coniferous	in general in thousands m ²	including hard		
Lubelskie	122.9	108.0	5 925.1	1 028.0	150 691	154 808
Podkarpackie	237.8	154.8	8 170.4	559.7	206 961	108 885
Podlaskie	148.8	124.3	415.5	67.1	55 903	61 620
Świętokrzyskie	218.7	205.3	319.8	131.0	128 997	165 626
Warmińsko-Mazurskie	396.9	277.8	8 885.4	2 135.0	625 956	79 615
Poland	5 709.2	4 711.8	193 246.2	144 309.3	4 867 544	4 736 624
part of the national consumption in %						
Lubelskie	2.2	2.3	3.1	0.7	3.3	3.3
Podkarpackie	4.2	3.3	4.2	0.4	4.3	2.3
Podlaskie	2.6	2.6	0.2	0.0	1.1	1.3
Świętokrzyskie	3.8	4.4	0.2	0.1	2.7	3.5
Warmińsko-Mazurskie	7.0	5.9	4.6	1.5	12.9	1.7
Eastern Poland	19.8	18.5	12.3	2.7	24.3	12.1

Source: Own compilation on the basis of Central Statistical Office data



Enterprises of the timber, paper and furniture sector in Eastern Poland

Small enterprises dominate in the size structure of the timber, paper and furniture sector in all of Poland, as well as in Eastern Poland. Large companies constitute approximately 1% of all the entities operating in this sector.

2.4. Success story

Black Red White Group

BRW Group is a producer and distributor of furniture and interior furnishing items.

It is the biggest furniture enterprise in Eastern Poland and it is also the biggest Polish furniture group. It can be found among 100 most valuable enterprises in Poland – a list compiled by Newsweek weekly magazine. The list comprises companies that stand out on account of their income. The enterprise was evaluated at PLN 1.61 b in 2009 and it was the only representative of the furniture branch on the list. It specializes in the manufacture of room, kitchen, upholstered furniture and different types and styles of tables and chairs. The group holds a 20% of share in the Polish furniture market in respect of the sales volume (income from sales amounted to PLN 1.8 b, while net income was PLN 36.3 m).

Black Red White S.A. comprises 20 subsidiary companies including 9 foreign entities located in Ukraine, Belarus, Slovakia, Russia, Bosnia and Herzegovina. Production activity for Black Red White takes place in 21 production factories located in Poland and abroad. Black Red White Group allocates about 40% of its sales abroad. The product assortment of this group is available outside of the Polish market in over 50 countries, for example in: the Czech Republic, Slovakia, Hungary, Romania, Croatia, Bulgaria, Russia, Latvia, Lithuania, Ukraine, Belarus, Kazakhstan, Greece, Bosnia and Herzegovina, Germany, Austria, Belgium, the Netherlands,

TABLE 8. The biggest companies of timber, paper and furniture sector in Eastern Poland (2011) as per income from sale according to the ranking of 500 biggest companies in Poland compiled by 'Polityka' news weekly.

Position on the 500 list	Name and localization	Sale incomes in PLN mln	Netto income in PLN thousands	Employment
153	Grupa Kapitałowa Black Red White, Biłgoraj (Black Red White Capital Group, Biłgoraj)	1 750.0	36.6	8 101
155	Grupa Kapitałowa Pfeleiderer, Grajewo (Capital Group Pfeleiderer, Grajewo)	650.9	21.7	1 594
244	Grupa Nowy Styl, Krosno	985.7	17.1	5 422
314	Grupa Kapitałowa Barlinek S.A., Kielce (Capital Group Barlinek plc)	650.9	- 20.8	no data
408	DS Smith Polska S.A., Kielce (DS. Smith Poland plc, Kielce)	492.0	46.7	806
453	Szynaka Meble Sp. z o.o., Lubawa (Szynaka Furniture Ltd. Lubawa)	425.0	8.7	no data

Source: Lista 500 tygodnika Polityka (List of 500 of Polityka weekly magazine) in 2011 (as of 24 April 2012)

Scandinavian countries, the United Kingdom, Ireland, USA and Canada.

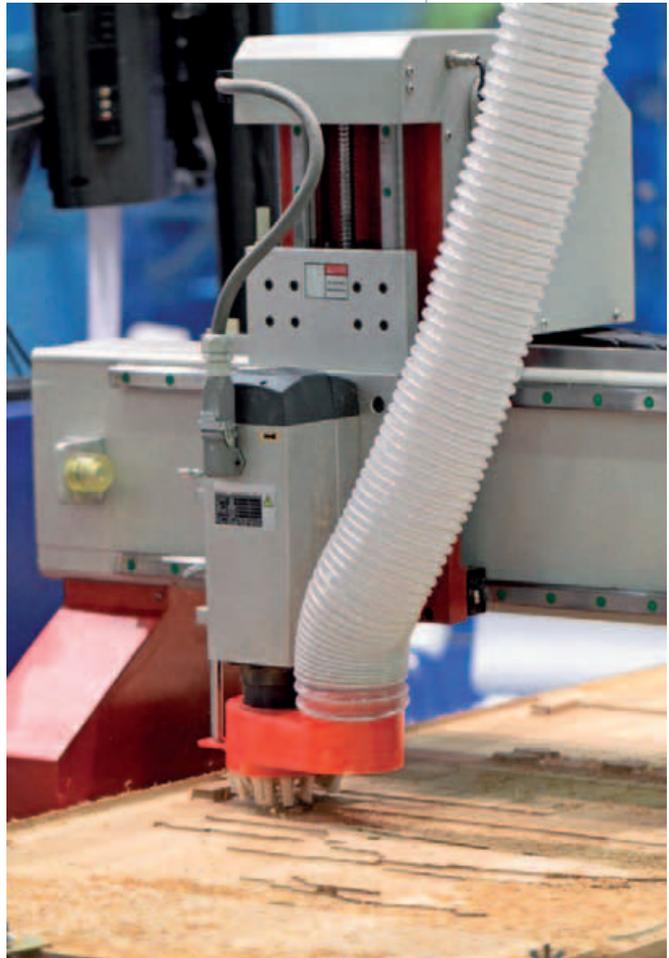
Black Red White Group has a well-organized and planned network of 2 300 sales outlets and a half of them are located abroad. The national retail sale of furniture and interior furnishing items of Black Red White is managed and developed – outside the partnership outlets – by a network of stores located in the whole of Poland. Currently it has 55 stores including 12 large ones in Wrocław, Kraków, Lublin, Zabrze, Będzin, Chorzów, Łódź, Bydgoszcz, Poznań, Warsaw and Gdańsk. The national wholesale is managed on the basis of 10 own warehouses, 3 representative warehouses and regional warehouses with a total surface of 257.5 thou. m².

Black Red White S.A. is the dominant entity of Black Red White Group. It controls the subsidiaries and coordinates purchases, production and sales of the companies belonging to the group.

Over 11 thousand people are employed in and provide services for Black Red White Group, in subsidiary companies and in companies that co-operate with the group (direct employment in the group is at the level of 8101 employees).

2.5. Foreign investments

Eastern Poland is a region in which we find a multitude of foreign investors from the timber, paper and furniture sector, for example Pfeleiderer (Germany), Kronospan (Cyprus), Formaplan (Germany), Roto Frank AG (Germany), Baltic Wood (Finland), Masonite International Corporation (Canada) or IKEA (Sweden). The last company has been conducting the biggest investment in the timber branch in Poland – the construction of a wood panel factory. The investment of Swedspan/IKEA is one of the most important undertakings in Eastern Poland. Since 2011 the company has produced up to 250 000 m³ of light, low-emission products for the fur-



niture industry. Production of ultra-light HDF based on a new technological process guarantees better product properties, lower weight and cost reduction. The project will be realized in stages. The investment will be self-sufficient energy-wise – the construction of congregation plant cost approximately EUR 40 m, and a total investment in the construction of the plant amounted to about EUR 140 m. A new investment in Orla commune (the Podlaskie Voivodeship) will contribute to the activation and development of the region and the whole of Eastern Poland. The new factory has so far created 250 work places and still more of them are created by

subcontractors. Obviously it will have a large influence on decreasing unemployment rate in this region.

2.6. Supporting clusters, organizations and associations

The development of the timber, paper and furniture sector in the territory of Eastern Poland is supported by clusters established in individual voivodeships. They chiefly concern the manufacture of wooden products and furniture.

2.6.1. Association of Lublin Region Wood – Regional Cluster in Lublin

The association gathers nearly 90 entrepreneurs from the timber branch and related branches – wood suppliers, lumber producers, construction carpentry products, producers of roofing, producers of furniture and companies that provide transportation and construction services. Its main objective is supporting the development of enterprises and economical initiatives of the Lubelskie voivodeship through the co-operation in respect of implementing new solutions, competition growth in the branch. The association plans to conduct activities within the range of constructing cheap and traditional wooden houses. It also plans expansion to European and the EU countries as well as to Lithuania, Ukraine, Slovakia and the Czech Republic for the purpose of co-operation in the field of inexpensive technological solutions.

2.6.2. Podlasie Wood Cluster

It was established in May 2008 by companies from the timber industry (furniture) in Suwałki. The coordinator of this Cluster's activity is Park Naukowo-Technologiczny Polska-Wschód Sp. z o.o. in Suwałki. The main objective of the cluster is to create a co-

operation network. It will allow for effective connection and usage of the potential of people, enterprises, colleges, research units, business environment institutions as well as self-government and state authorities for the purpose of easier transfer and diffusion of knowledge and innovation between the co-operating entities. The following companies are members of the cluster: Białostockie Fabryki Mebli w Białymstoku (Furniture Factories in Białystok), Zakłady Stolarki Budowlanej Stolbud w Sokółce (Stolbud Construction Carpentry Plant in Sokółka), Białostockie Fabryki Sklejek Biaform S.A. (Biaform plc Plywood Plant in Białystok), Przedsiębiorstwo Produkcyjno-Handlowe ŁFM Sp. z o.o. w Łomży (PPH ŁFM Ltd. in Łomża), Zakłady Płyt Wiórowych S.A. w Grajewie (Chipboard Factories plc in Grajewo), Fabryka Mebli Forte Oddział w Suwałkach (Forte Furniture Factory Department in Suwałki), Home-Meble w Suwałkach (Home-Furniture in Suwałki), Eko-drewno Majewski w Suwałkach (Eko-wood Majewski in Suwałki).

2.6.3. The Cluster of Door and Window Producers

It has been created in 2006 on the initiative of 7 companies from the Warmińsko-Mazurskie Voivodeship. In 2007 the companies established the Association of Door and Window Joinery Producers 'Mazurskie Okna' that has been operating as the cluster's coordinator till this day. In 2009 for the purpose of running the cluster's commercial activity, the companies founded Mazurskie Okna Sp. z o.o. (Mazurskie Okna Ltd.) whose shareholders are the companies associated in the cluster. Currently the cluster associates a dozen or so micro, small and medium enterprises from the door and window joinery branch (production of windows, doors and related products like: wood and wooden elements, window screens, sills, window panes, fittings and other metal elements, anti-burglary protection systems,

gates and garage operators). The cluster cooperates with the business environment institutions like: Regional Development Agency of the Warmińsko-Mazurskie in Olsztyn, the Enterprise and Craft Chamber of the Warmińsko-Mazurskie, University of the Warmińsko-Mazurskie in Olsztyn and TWP University of Economics and IT in Olsztyn.

2.6.4. Elbląg Association of Furniture Cluster

Created in 2007, the cluster associates 10 companies. The companies are the producers of, inter alia, kitchen furniture (KAM, Layman), chairs (Halex.), furniture made of solid wood, room furniture, furniture accessories (Patrex), elements and fittings (Stolzen, Qraś) and components for furniture production (Lupus).

2.7. Sector development potential

2.7.1. Education

There are over 306 thou. students in Eastern Poland (17.4% of all Polish students). Every seventh of them (almost 47 thou.) studies a technical specialization.

What is more, the Macroregion offers access to medium level technical personnel. There are almost 908 thou. students in Polish secondary trade schools that educate technicians and almost 213 thou. of them obtain their education in Eastern Poland (nearly 3.5% of them study specializations associated with industrial production and processing). Specialists **of the timber and furniture industry are educated in the following schools:**

- Complex of Wood Schools in Łomża,
- Complex of Wood and Forest Schools in Ruciana Nida, Complex of Wood and Environment Safety Schools in Zwierzyniec,
- Complex of Trade Schools in Suwałki (it educates technicians of wood technology in the specialization of furniture),

- Complex of Mechanic and Wood Schools in Przemyśl
- Wood Technical College in Itawa.

2.8. Perspectives of the sector development

Long-term development perspectives of the timber, paper and furniture branch in Eastern Poland are favourable on account of a few factors:

- in the scale of Poland and Europe, the Macroregion of Eastern Poland has an excellent potential in the form of large wood resources;
- continuous growth of furniture production as a result of increased export and sales growth on the national market, which the improvement in the housing market favours, i.e. an increasing number of flats are commissioned for use in Eastern Poland. In the period from January to September 2012 the number of commissioned flats amounted to 15.3% more than in the same period of previous year;
- in comparison to all of Poland (and in particular to the foreign markets) Eastern Poland has very low production costs (availability and low cost of materials and labour force).



3. Building sector in Eastern Poland



3.1. Size and structure of the sector

The building sector of Eastern Poland constitutes about 12.9% of the country's entire sector. Sale revenues generated by companies operating in the building sector in Eastern Poland were 20 964.9 mln PLN in 2010 and 24 200 mln PLN in 2011. The biggest contribution to the revenue was made by enterprises from the Podkarpackie Voivodeship (28.74%), whereas the lowest – by companies from the Warmińsko-Mazurskie (14.27%). Although 2010 was the year of a relative slow-down in the growth of the building industry in Poland and in Eastern Poland, the construction companies

from the Macroregion reached the income of 490.8 mln PLN. In 2010 the profitability of the building enterprises of Eastern Poland was about 5%, whereas in 2011 – it rose to 7%.

The building production of Eastern Poland companies demonstrated a 13% increase in the period from January to April 2012 in comparison with a similar period in 2011; the biggest increase was noted in specialist building works sub-sector (increase of 15%) and in the building construction sub-sector (increase of 1.5%). Over this period the production in the civil engineering construction sub-sector increased by 1%.

The Macroregion's attractive investment environment in the construction sector is partly due to the workforce being cheaper

than in other parts of Poland. The difference is 15–23% depending on the sub-sector. The average gross monthly wages in the building sector in Poland was 3 660.02 PLN in the period January–September 2012, whereas in Eastern Poland it was 3 140.41 PLN and the wages did not exceed the country's average in any of the 5 voivodeships of the Macrregion.

Taking into consideration the building industry sub-sectors in Eastern Poland, highest remuneration was paid in the civil engineering

Employment in the building sector

The building sector of Eastern Poland has about 15% share in this sector's total employment in Poland – it employs 78.6 thousand people. Most of them – like in the rest of Poland – work in the building construction segment (33 thousand).

TABLE 9. **Employment in the building sector in Eastern Poland by voivodeships and sub-sectors (2011)**

	Lubelskie Voivodeship	Podlaskie Voivodeship	Podkarpackie Voivodeship	Świętokrzyskie Voivodeship	Warmińsko-Mazurskie Voivodeship	Eastern Poland
overall construction, including:	19 894	10 412	21 100	13 244	14 000	78 650
– buildings construction	7 651	5 192	8 700	4 712	6 800	33 055
– civil engineering construction	7 085	2 620	6 100	3 759	3 700	23 624
– specialist construction works	5 158	2 600	6 300	4 773	3 500	22 245

Source: Own calculation on the basis of Voivodeship Stastic Bulletins 2011.

TABLE 10. **Biggest construction companies in Eastern Poland according to the ranking of 500 biggest companies by the weekly „Polityka”**

Position on the List 500	Name and location	Revenue in mln PLN	Net profit in thousand PLN	Employment
165	GK Rovese SA, Kielce	1 638.2	87 237	6 499
167	Grupa Polskie Składy Budowlane Busko Zdrój	1 598.4	16 373	275
202	Lafarge Cement SA Małogoszcz	1 249.9	no data	610
253	GK UNIBEP SA Bielsk Podlaski	939.4	21 118	722
344	Dyckerhoff Polska Sp. z o.o., Sitkówka-Nowiny	595.0	95 728	389
461	Grupa Roto Lubartów	411.3	no data	413
465	Echo Investment SA, Kielce	404.2	164 022	324

Source: Own compilation based on the 500 ranking list by the weekly magazine „Polityka”, in 2011 (as of 24 April 2012)

construction sub-sector (3 324.83 PLN), whereas in the building construction and specialist road building it was respectively 3 280,25 PLN and 2 892.92 PLN.

In Eastern Poland in the building sector many foreign companies operate, such as e.g.: Swedish Skanska (in Rzeszów and Kielce) Erich Marx (Germany) in Rzeszów, Munck Gruppen (Denmark) in Starachowice. It must be emphasized that many construction multinationals operating in Poland are also present in Eastern Poland. What is more, there is also a group of large companies with Polish capital operating in the region: 8 large construction enterprises.

The biggest one – in terms of size and sales revenue – is GK Rovese S.A. from Kielce.

In the Eastern Poland region, there are 77 227 business entities registered as building companies (10,8% of all business entities in Eastern Poland). The majority of the registered businesses in this region, as well as generally in Poland are sole trader businesses. There are 7 282 partnerships operating in Eastern Poland's building sector (December 2011).

3.2. Success story

3.2.1. Polskie Składy Budowlane S.A. (Polskie Składy Budowlane Plc)

The Group Polskie Składy Budowlane, set up in 1998, is the biggest wholesale net-

work of building materials in Poland; it associates 289 small and medium family businesses from all of Poland, which trade in more than 420 places. Its offer includes more than 155 thousand items. At the end of 2011, the total sales revenue made by the warehouses – who are the shareholders of PSB Group S.A. – reached 5 bln PLN (in 1998 the revenue was about 0.6 bln PLN). Estimated company value (head office) in 2009 was 296 mln PLN. PSB brand is recognizable for about 45% of Polish people. PSB is also gaining recognition in Europe, the company is the member of Euro-Mat, the biggest European association of purchasing-selling traders, offering a wide scope of building materials and “house and garden” goods. The organization brings together 23 trade groups operating in 22 countries and is actually an umbrella-group, fulfilling all requirements of a group on an international level. PSB Group became the member of Euro-Mat in June 1999 as the first network from Central Europe.

In the last years the PSB Group has been launching in city poviats modern self-service “house and garden” stores called PSB-Mrówka. The stores are targeted mainly at the retail market and the offer is tailored for customers who buy off the shelf.

The Group also opens smaller retail shops called Mini-Mrówka, of 300 to 800 m² area, mainly in communes and villages. The year 2010 was extremely successful for the company, mainly because of the develop-

TABLE 11. Business entities in the building sector in Eastern Poland by voivodeships (as of 31 December 2011)

	Lubelskie Voivodeship	Podlaskie Voivodeship	Podkarpackie Voivodeship	Świętokrzyskie Voivodeship	Warmińsko-Mazurskie Voivodeship	Eastern Poland
overall construction, including:	19 053	11 337	18 922	14 209	13 706	77 227
– companies and commercial law partnerships	1 897	936	1 709	1 494	1 246	7 282
– sole trader businesses	17 156	10 401	17 213	12 715	12406	69 945

Source: Own calculation on the basis of Voivodeship Static Bulletins, 31 December 2011

ment of store chain, the wholesale stores network got 39 new locations, and PSB Mrówka network got 17 new shops (at present 59 stores in the retail network). 2010 was an absolute boom year, almost the best since the company's beginnings, when in 1998, 1999 and 2000, it grew by 49, 90 and 50 outlets respectively.

3.2.2. Dorbud S.A., Kielce

The company started its operation on the building market in 1992 and in the course of 20 years built a stable and significant market position. The company builds industrial facilities, residential housing (more than 3 thousand flats in all of Poland), office and public utility facilities. It also carries out renovation and modernization works, finishing and furnishing works, historical monument renovation and also acts as a building developer. Dorbud holds the Quality Control System ISO 9001:2000 certification in general contracting and erecting buildings. The company operations are not limited to Eastern Poland; it runs construction projects in Warsaw, e.g. it has won the public tender for the construction of the Indian Embassy building in Warsaw.

3.3. Foreign investment

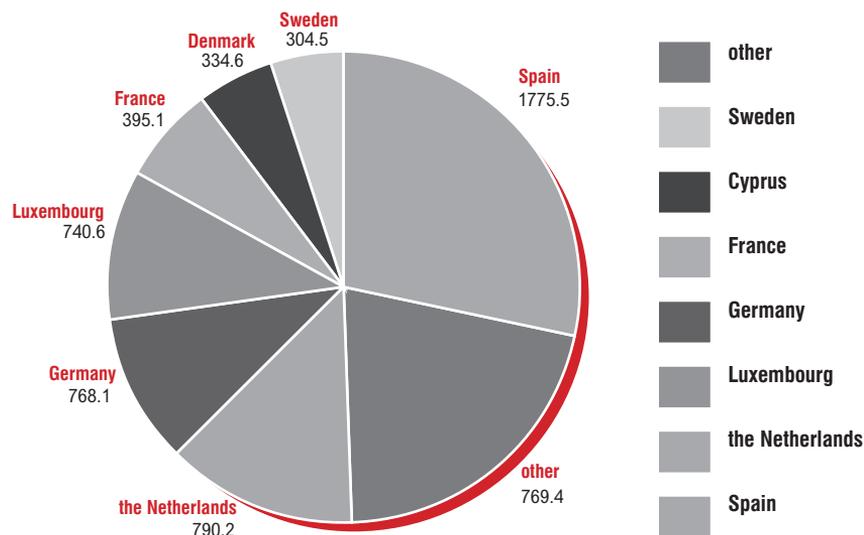
More than 706 thousand workers (2011) are employed in the building industry, which is 60 thousand more people compared to the year 2010. The building construction sub-sector has the largest workforce (330 thousand), followed by specialist construction work (185 thousand) and the civil construction development (179 thousand). A large part of the building sector employees (58.1 thousand) are employed by companies set up by foreign investors.

Foreign companies have so far set up in Poland 2 118 partnerships, operating in the construction industry and invested PLN 5 878.1 mln worth of capital. Spanish compa-



nies invested the largest capital (PLN 1 775.5 mln) getting ahead of investors from the Netherlands, Luxembourg, Germany and France [Chart 3].

CHART 3. Foreign investors in the building industry in Poland as of 31 December 2011 (in mln PLN)



Source: Central Statistical Office Entities with the foreign capital 31.12.2011

3.4. Clusters, supporting organisations and associations

The investment appeal of the construction sector in Eastern Poland is related to the access to qualified workforce and cluster structures.

3.4.1. Świętokrzysko-Podkarpacki Building Cluster 'Innovator'

Świętokrzysko-Podkarpacki Building Cluster 'Innovator' was created in January

2010 as a co-initiative of a group of entrepreneurs (construction sector) from the Świętokrzyski and Podkarpacki regions who already had the experience of working together and local authorities. The aim of the cooperation is to create mechanisms enabling and facilitating the access to knowledge, transfer and implementation of the latest technologies, lowering operational costs by improving information exchange between the companies – the cluster members (19 in total). At present the cluster, managed by Staropolska Izba Przemysłowo-Handlowa, associates building companies, regional business chambers and Kielce University of Technology.

Foreign investors

The companies that have already invested in Poland include, i.e., Acciona, Ferrovial (Spain), Hochtief, Billfinger und Berger Bau, SAG (Germany), Austrian companies – Bau Holding Strabag AG, Stalco Holding, TE-ERAG ASADG and Warimpex, French enterprises – BEG, Colas, Goplan, Bouygues, Effage, Nornic Development, and also TK Holding (Denmark), Skanska (Sweden), in this way confirming the investment appeal and investment opportunities of the Polish building market.

3.4.2. Fair and Exhibition Centre of the Building Industry Technopark

The Fair and Exhibition Centre of the Building Industry Technopark, of over 18 thousand m² area, was erected and launched in the spring 2011.

It is a three-storey complex, the biggest centre of the building industry in Poland.

The investor of the Technopark was Unimet, a company with 18-year-experience in the building industry. The investment cost about PLN 60 mln.

In the Technopark Centre, producers, contractors and representatives of construction and construction-related companies have the great opportunity to present their products (with 200 exhibition points), find customers and conclude deals. Here they can find new markets, learn about new technologies and share their experience. The Centre offers support in various processes: building, renovation, applying for loans, hiring staff, interior design and furnishing, also to individual customers. Technopark investors chose Rzeszów for the investment as there are many building investments going on in south-eastern Poland. The development sites, for housing and industrial development, are increasingly larger, which will for sure affect the demand for construction materials and services.

3.5. Sector's growth potential

The investment appeal of the construction sector in Eastern Poland is related to the access to qualified workforce and cluster structures. At present, in Eastern Poland there are 306 thousand students, of which almost 49 thousand are enrolled in engineering or technical programs. In this region 16 universities and colleges offer construction engineering major courses (higher education studies): in Lubelskie Voivodeship there are 4 colleges (State School of Higher Education in Biała Podlaska, State Vocational College in Chełm, Lublin Technical University and School of Management and Public Administration in Zamość), in Podkarpackie Voivodeship – 3 (State Vocational College in Jarosław, State Vocational College in Krosno, Rzeszów Technical University), in

Podlaskie Voivodeship – 3 (State Vocational College in Suwałki, Białystok Technical University and College of Agribusiness in Łomża), in the Świętokrzyskie Voivodeship – also 3 colleges, all of them located in Kielce (Kielce University of Technology, University of Business and Commerce and College of Communication and Information Sciences) and in the Warmińsko-Mazurskie Voivodeship – 3 colleges (State Vocational School in Elbląg, University of Warmia and Mazury in Olsztyn and University of Finance and Management in Białystok – with a branch in Elk).

Moreover, it is easy to find mid-level technical staff in the Macroregion. In the entire country there are about 908 thousand students studying in vocational schools (e.g. to become a qualified technician), and in Eastern Poland almost 213 thousand students (about 3.5% of which take courses in construction and related). There are also high schools offering for construction trades in 17 towns of the region: Braniewo, Olsztyn, Elk, Lublin (2), Chełm (2), Puławy, Biłgoraj, Łomża, Augustów, Skarżysko-Kamienna, Rzeszów, Jasło, Mielec, Stalowa Wola, Sanok, Tarnobrzeg and Krosno.

Locating your business in Rzeszów means access to:

- **International Airport Rzeszów – Jasionka (8 km),**
- **3 border crossings with Ukraine (90km),**
- **2 national roads to Slovakia (100km),**
- **A4 motorway running across all Poland, west to east,**
- **numerous railway connections – fast connection with Warsaw is underway,**
- **2 independent roads to Warsaw.**



3.6. Development prospects

The construction industry in Eastern Poland will continue to develop dynamically, mainly due to the following factors:

- under the Development Programme for Eastern Poland the following projects are foreseen: 5 projects under the Broadband Network Eastern Poland framework, 4 major projects concerning municipal transport (Lublin, Rzeszów, Kielce, Olsztyn), 7 road construction projects (Przemysł ring road, road No 747, bridge in Kamień, Jarosław ring road, Bargłów ring road, bridge in Połaniec). In total the Programme comprises 27 road building projects, mostly ring roads/ bypasses. Ring roads in the following localities have already been completed: Elk, Kolbuszowa, Mrągowo, Przemysł and the big Trasa Generalska in Białystok. Other ring roads are underway: near Hrubieszów, Końskie, Mielec, Stawiska and Szczuczyn. Soon works on another ring road will start – near Bargłów Kościelny;
- under the Operational Programme Development of Eastern Poland and Regional Operational Programmes in individual

voivodeships, co-financed by the EU, there are funds available for the expansion of transport infrastructure (road, railway, airway, waterway), environment protection, municipal infrastructure, city revitalisation, certainly all of which stimulate the development of the building sector;

- the improvement in the housing market is owed to an increasing number of flats that are commissioned for use in Eastern Poland. In the period from January to September 2012 the number of commissioned flats amounted to 15.3% more than in the same period of previous year;
- in comparison with other Polish macoregions, and in particular with foreign markets, Eastern Poland is very competitive in terms of relatively low production costs and access to well-qualified workforce.

4. Sector of non-metallic mineral products in Eastern Poland

4.1. Size and structure of the sector

The industry of non-metallic mineral products has been steadily expanding in Eastern Poland since 2005. In 2011, sold production of the non-metallic mineral products sector in Eastern Poland reached PLN 8.7 billion, of which over 62% was generated in the Świętokrzyskie Voivodeship.

The increase in production in the non-metallic sector is accompanied by an increase in employment. At the end of 2011 the sector employed an average of 25 000 employees, that is 6.8% of the total number of people employed in industry.

The main branch of the non-metallic mineral products sector is the construction materials industry. Major centres of this industry are located near the sources of raw materials (except for factories producing prefabricated elements). Therefore, the construction materials industry has developed mainly in the Podkarpackie and Świętokrzyskie Voivodeships, where the resources of non-metallic minerals are larger than in other areas of the country.

4.2. Sector characteristics and major development centres

The sector of non-metallic mineral products is growing fastest in the Świętokrzyskie Voivodeship. In 2011 the sector accounted for 28.8% of sold industrial production.

Industries dependent on the resources of non-metallic minerals:

- **lime and gypsum industry:** Lhoist Bukowa Sp. z o.o., Zakłady Przemysłu Wapienniczego Truskawica S.A., Alpol Gips Sp. z o.o., Lafarge Gips Sp. z o.o.,
- **cement industry:** Dyckerhoff Polska Sp. z o.o., Lafarge Cement Polska S.A.,
- **fine ceramics industry:** Zakłady Porcelany Ćmielów Sp. z o.o., Fabryka Porcelany AS Ćmielów,
- **glass industry:** Pilkington Polska Sp. z o.o., Pilkington Automotive Poland Sp. z o.o., Huta Szkła Sława, Kama Vitrum Huta Szkła Sp. z o.o.

4.2.1. Cement and lime and gypsum industries

In the region of Kielce and in the south-western part of the Świętokrzyskie Voivodeship there is a high concentration of minerals mines and plants processing rock material, including limestone for the cement and lime industry. The cement industry is also well-developed in the north-eastern part of the voivodeship. In the south of the voivodeship there are numerous brickyards and other construction materials plants. Natural gypsum is mined in the Świętokrzyskie Voivodeship from two deposits located in the Nida River region (the only operating gypsum mines in Poland). Gypsum from these mines is used by the Lafarge Gips Sp. z o.o. gypsum board production plant in Leszcze – one of the most modern ones in Europe.

The cement and building materials industry is also developing in the Lubelskie Voivodeship. The best examples are the cement plants in Chełm (Cemex Polska Sp. z o.o., Cementownia Chełm) and Rejowiec (Grupa Ożarów S.A., Cementownia



Rejowiec), plants producing small construction elements (hollow blocks, bricks, ceiling elements) in Niemce, Markowicze (Leier Markowicze S.A.), Długi Kąt (Prefabet Group S.A., Zakład in Długie Kąty) and Kraśnik (Cegielnia Hoffmanowska Sp.j.), and numerous concrete and prefabricated concrete elements plants in Lublin (Prefabrykaty Faelbud Sp. z o.o., Elektrobet Sp.j., Lafarge Kruszywa and Beton Sp. z o.o., Wytwórnia Betonu Lublin), Lubartów (Solbet Lubartów S.A., Zakład Produkcji Materiałów Bu-

dowlanych Betax) and many other towns of the region (e.g. Przedsiębiorstwo Przemysłu Betonów Prefabet in Puławy, Spółdzielnia Żelbet in Międzyrzecze Podlaskie, Zakład Wapienno-Piaskowy Megola Sp.j. in Hedwiżyn, Kraśnickie Przedsiębiorstwo Budowlane in Krosno).

4.2.2. Glass industry

Glass industry develops mainly in the Podkarpackie Voivodeship: there is a large number of companies operating in the glass industry, e.g. Krośnieńskie Huty Szkła S.A. (Krosno Glassworks), Huta Szkła Józefina (Józefina Glassworks), as well as other smaller factories that manufacture artistic glassware, decorate glass products or produce Christmas decorations. The largest concentration of such plants can be found near Krosno, which is the biggest glass industry centre in Poland. The tradition of glass making in this area dates back to the early 20th century.

The biggest glass manufacturer in the voivodeship and in Poland is Krośnieńskie Huty Szkła S.A. (Krosno Glassworks) – a

The largest cement and concrete plants in the Lublin Voivodeship:

- **Cemex Polska Sp. z o.o. Cementownia Chełm (cement),**
- **Grupa Ożarów S.A., Cementownia Rejowiec (cement),**
- **Prefabrykaty Faelbud Sp. z o.o. (prefabricated concrete elements),**
- **Elektrobet Sp.j. (cocconcrete),**
- **Lafarge Kruszywa i Beton Sp. z o.o. (aggregates and concrete),**
- **Solbet Lubartów S.A. (concrete),**
- **Zakład Produkcji Materiałów Budowlanych Betax (concrete and prefabricated construction elements),**
- **Przedsiębiorstwo Przemysłu Betonów Prefabet (concrete and prefabricated construction elements).**

TABLE 12. Major companies of the glass industry operating in the Podkarpackie Voivodeship

Company	City	Activity
Sanglass S.A.	Mielec	Production of glass panes
Huta Szkła w Jaśle S.A. Grupa Kapitałowa Krosno	Jasło	Forming and working of glass panes
Dexpol Sp.j.	Dębica	Forming and working of glass panes
Glasmark Sp. z o.o.	Krosno	Production and processing of glass
Villa Glass Studio Sp. z o.o.	Krosno	Production and processing of glass
Huta Szkła Gospodarczego Kama	Brzozów	Production of blown glass
Huta Szkła Józefina	Krosno	Production of blown glass
Huta Szkła Justyna Sp.j.	Sanok	Production of blown glass
Makora Krośnieńska Huta Szkła Sp. z o.o.	Krosno	Production of blown glass
Krośnieńskie Huty Szkła Krosno S.A.	Krosno	Production of blown glass
O-I Produkcja Polska S.A.	Jarosław	Production of blown glass
Huta Szkła Lucyna	Przemysław	Production of blown glass
Krosnglass S.A.	Krosno	Production of glass fibre

Source: Own compilation based on data obtained from the companies

company with an extensive experience (established in 1923) in the manufacture of manually and mechanically formed glass products. It has its own Design Centre, which is a global trendsetter in industrial design. High quality of the products has been confirmed by prestigious awards and diplomas, such as gold medals at the Poznań International Fair and the Promotional Emblem "Poland Now" ("Teraz Polska"). Over 90% of manual production and 60% of mechanical production is exported to over 60 countries. Krosno S.A. Glassworks was one of the first five companies to be listed on the Warsaw Stock Exchange in 1991. Although it has been declared bankrupt, the company continues its production activity. In 2004 the glass fibre department was separated from the Glassworks and a new company was established – Krosnglass S.A.

The large number of glass industry enterprises that operate in the region and the variety of their activities provide potential investors with ample opportunities.

In the Warmińsko-Mazurskie and Podlaskie Voivodeships, the industry of non-metallic mineral products is less important

The largest companies of the non-metallic mineral products industry in the Podlaskie Voivodeship:

- Zakład Ceramiki Budowlanej Lewkowo Sp. z o.o.,
- ABW Superbruk s.c.,
- Fadom-Bud Sp. z o.o.,
- Przedsiębiorstwo Wielobranżowe Rak-Bud,
- Biaglass Huta Szkła w Białymstoku.

because these regions do not have large resources of minerals. The minerals that are mined in Podlasie and Warmia and Masuria are common minerals, and most of them are used as raw material by the construction materials industry – natural aggregates, gravel, clay minerals and quartz sand are used in the production of lime-and-sand bricks and cellular concrete.

TABLE 13. Main centres of non-metallic mineral products industry in Eastern Poland

Industry	Manufactured goods	Main centres
Glass industry	industrial glass, glass fibre, technical glass	Sandomierz (industrial glass), Jarosław i Krosno (industrial glass and glass packaging)
Ceramics industry	artistic ceramics (porcelain, faience, vitreous and semi-vitreous products), structural ceramics (bricks, hollow blocks, roof tiles, ceramic tiles), sanitary ceramics, industrial ceramics (electroceramics, refractories)	Końskie, Krasnystaw (sanitary ceramics), Ćmielów (tableware and decorative ceramics), Boguchwała (electroceramics), bricks are produced by small brickyards scattered throughout Eastern Poland
Cement industry	cement	Małogoszcz, Nowiny, Chełm, Ożarów
Lime industry	lime	Sitkówka, Bukowa
Gypsum industry	gypsum, gypsum boards	Leszcze
Concrete industry	prefabricated concrete elements	production plants are mainly located near large cities

Source: Own compilation based on data obtained from the Polish Geological Institute



4.3. Success story

4.3.1. Lhoist Group, Belgium

Formally, the group began its activity in Poland in 1996 when it established Lhoist Poland Sp. z o. o. company based in Krakow and formed a joint venture with the State Treasury based in Bukowa. From that moment the Group started production in Poland. Under the agreement with the State Treasury, the Group undertook to invest PLN 66.5 million in Bukowa. Not only did Lhoist fulfil this obligation, but it invested a much higher amount. At that time the company built a Pfeiffer roller mill, an automatic palletizing line, and a lump lime crushing, sorting and storage system. It also built and modernized silos, a shaft furnace dedusting system, and a goods dispatch system.

The investment made the plant in Bukowa one of the most modern lime processing plants in Europe. Thanks to the high quality of lime deposits and state-of-the-art technology, the plant produces lime of supreme quality, which is sold both in Poland and abroad. The Lhoist plant in Bukowa produces the following range of products: quicklime in pieces, powdered quicklime, hydrated lime, limestone dust, sorbents, agricultural lime, limestone and limestone aggregate.

4.3.2. Lafarge, Francja

Present in 78 countries all around the world, Lafarge (France) is a world leader in the production of construction materials. The company has existed on the Polish market since 1995. At first it operated in the cement sector, and then in 1997 and 1998 it expanded its activity to other areas: aggregates, concrete and plaster. By the end of 2008 Lafarge invested in Poland more than PLN 2 billion and it currently occupies a leading position in four industries: cement, aggregates, concrete and plaster.

Lafarge Cement has two production

plants, which are among the largest employers in their respective regions. The production capacity of both plants is more than 4 million tonnes of cement per year. Cementownia Małogoszcz (Małogoszcz Cement Plant) is one of the largest production plants in Eastern Poland. It is equipped with three dry process lines for the manufacture of clinker and five cement production lines. The cement plant uses its own resources of Jurassic limestone and marls extracted in a nearby quarry. In the plant there are 14 silos with a capacity of 5 thousand tonnes each, and a fly-ash storage silo with a capacity of 800 tonnes. The plant is equipped with a modern packaging and palletizing system, bulk cement loading terminals for trucks and railway wagons, and a state-of-the-art dedusting system. The range of cements produced by the Cement Plant in Małogoszcz covers a wide selection of Portland cements with mineral additives and metallurgical cement.

Lafarge Beton specializes in the production of high-quality ready-mixed concrete for construction and road engineering industries. In Eastern Poland there are concrete plants in Mielec, Dębica, Lublin, Krosno, Rzeszów and Kielce. Lafarge Beton is a founding member of the Polish Association of Ready-Mixed Concrete Producers, which since 1999 has been bringing together companies that produce concrete mixes. Furthermore, most Lafarge plants are happy to hold "Good Concrete" ("Dobry Beton") quality certificates awarded the by the Association. The Company has three production facilities, including a plant in Leszcze (Świętokrzyskie Voivodeship), which belongs to the most modern and largest of its kind in Europe.

4.3.3. NSG Group, Japan

The international NSG Group Japan is represented in Poland by three glass production and processing companies. Two of them – Pilkington Automotive Sp. z o.o. and Pilkington Poland Sp. z o.o., operate in Eastern

Poland in the automotive and construction sectors.

Pilkington Automotive Poland Sp. z o.o. was founded in 1997. In 1998 the company took over from Pilkington Sandoglass the production of car windshields. In 1999 it started production in a new factory. Today the factory produces laminated and tempered windshields, and employs over 1,000 employees. Pilkington Automotive Poland produces and supplies components to major car manufacturers: Fiat, GM, Ford, Volkswagen, Mercedes and PSA Group. In 2004, the company expanded its scope of business to include wholesale of car windshields in the spare

parts aftermarket through a merger with Pilkington AGR Poland. As a result, the company now offers a large selection of brand car, truck and bus windows, which are produced in different factories of the NSG Group all over the world. The years 2004-2007 were of great importance to the company, when large-scale investments were made: new production lines were installed to start production of heated windshields, laminated side windows and windshields of complex modern shapes.

Pilkington Poland Sp. z o.o., on the other hand, is one of the largest producers of flat and laminated glass. The most important date in the company's history has

TABLE 14. Selected foreign investors operating in Macroregion Eastern Poland

Investor	Company	Location	Country	Activity Profile
NSG Group	Pilkington Automotive Poland Sp. z o.o.	Sandomierz	Japan	Production of glass
	Pilkington Polska Sp. z o.o.	Sandomierz		
Owens Illinois Inc.	O-I Polska S.A.	Jarosław	USA	Production of glass
Heinz Glas Group	Heinz Glass Działdowo Sp. z o.o.	Działdowo	Germany	Production of glass packaging
Lafarge Group	Lafarge Cement S.A. Cementownia Małogoszcz	Małogoszcz	France	Production of construction materials
	Lafarge Gips Zakład Produkcyjny Płyty Gipsowo-Kartonowych	Leszcze		Production of construction materials
	Lafarge Kruszywa i Beton Sp. z o.o. Wytwórnia Betonu Lublin	Lublin		Production of concrete mass
Buzzi Unicem Group	Dyckerhoff Polska Sp. z o.o.	Sitkówka-Nowiny	Germany	Production of construction materials
Lhoist Group	Lhoist Bukowa Sp. z o.o.	Bukowa	Belgium	Production of construction materials
CRH Consortium	Grupa Ożarów S.A.	Ożarów,	Ireland	cement production
	Grupa Ożarów S.A. Zakład Cementownia Rejowiec	Rejowiec Fabryczny		
	ZPW Trzuskawica S.A.	Sitkówka-Nowiny		
Cemex Consortium	Cemex Polska Sp. z o.o. Zakład Cementownia Chełm	Chełm	Mexico	cement production
Leier Polska S.A.	Leier Markowicze S.A.	Markowicze	Austria	Production of bricks, roof tiles and other ceramic construction materials

Source: Own compilation based on data obtained from the Polish Information and Foreign Investment Agency (PAIiIZ).



undoubtedly been June 1995, when the production of float glass was launched. The glass is manufactured using the float method patented by Pilkington, which is now the world's newest glass making technology. In 1998 the company started producing large sheets of laminated glass for the construction industry, and it is still the only manufacturer of such glass in Poland. Today Pilkington Poland has a 30% share of the Polish glass market.

In September 2012 the company completed another project in Poland – a new plant was built in Chmielów, commune of Nowe Dębe, at a cost of PLN 450 million. 500 new jobs were created.

4.4. Clusters, organisations and supporting associations

4.4.1. Construction Cluster "Innovator"

Several cluster initiatives are being developed in Eastern Poland, which have a positive effect on the development of the sector of non-metallic mineral products. In 2010 the Construction Cluster "Innovator" ("Innowator" in Polish) was established for the Świętokrzyski and Podkarpacki regions. The members of this cluster cooperate to develop mechanisms that enable and facilitate access to knowledge, transfer and implementation of the latest technologies, and to reduce the costs of operation by improving the exchange of information between enterprises. The main aim of the construction cluster is to enable communication between construction companies, exchange experiences, and link enterprises together in order to carry out major construction projects. Growing construction industry creates great opportunities for the development of the non-metallic sector, as large construction companies are crucial for the development

of manufacturers of building components or finishing materials.

4.4.2. Końskie-Opoczno Ceramics Cluster

The area around Opoczno is rich in deposits of raw materials used in the manufacture of ceramic products. A characteristic element of the economy of this region is therefore a large number of companies operating in the ceramics industry. There are as many as eleven manufacturers of ceramic tiles in the region (out of 20 in the entire country). These are: Opoczno S.A., Ceramika Paradyż, Ceramika Iza, Ceramika Gres, Ceramika Końskie, Cerkolor, Cerrol, Ceramika Nowa Gala, Ceramika Color, Unikat, and Cerart. They make up a ceramics cluster called Grono Ceramiczne Końskie-Opoczno. The development of the cluster is also stimulated by a large number of wholesalers selling tiles and tiling materials and accessories such as adhesives, grouts, tools, etc.

Furthermore, the development of the non-metallic mineral products sector in Eastern Poland is supported by numerous all-Poland organisations.

4.4.3. Cement Producers Association

It was established in 1990 and brings together the managers of cement and lime companies and other firms that cooperate with them, as well as legal entities: companies operating in the cement and lime sector. The Association represents the interests of the cement and lime industry common to all its members on the national and international forum, before state and local authorities, national and international associations and organizations, and the academic community. The Association has the following objectives: to promote products, improve the efficiency of the lime and cement industry through promotion of modern techniques

and technologies, including innovative solutions for the protection of the environment, to facilitate the exchange of experiences and the integration of industry branches through cooperation between members of the Association, to collect statistical information, and to publish specialist literature.

4.4.4. Multi Glazed Units Manufacturers Association

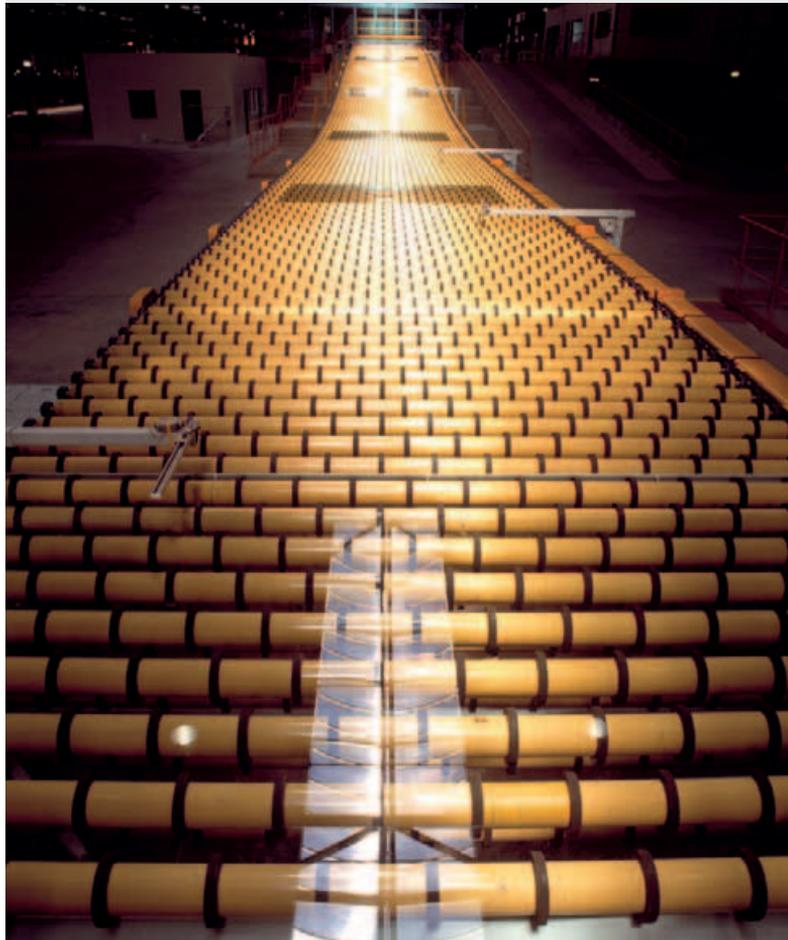
The Association was founded in 2007. Its main objectives include, among others, taking actions to improve the quality of production and thus to improve the quality of products, representing members before outside control bodies, providing training and advice (improving employees' qualifications), marketing activity (promoting high-quality products such as double-glazed units), obtaining EU funds for the implementation of the Association's objectives, and introduction of a professional quality label. Moreover, the Association performs tests of products, provides members with access to research results crucial for production, and cooperates with suppliers to achieve and maintain optimal business relations.

4.4.5. Polish Association of Ready-Mixed Concrete Producers

Established in 1999, the Association is an organization of ready-mixed concrete manufacturers and the supporting companies that provide them with raw materials, technical equipment and technologies. The Association's activities are focused on the promotion of structural concrete and its manufacturers through exhibitions, publications and contacts abroad, determination of standardization and certification criteria, and improvement of the technical and technological standards through internal training. Since 2001, the Association has been a member of the European Ready-Mixed Concrete Organization (ERMCO).

Conditions that favour the operations of the 'Innovator' cluster:

- availability of experienced staff,
- favourable climate and conditions for the growth of companies operating in the construction sector,
- possibility of mergers or joint-ventures with well-known construction companies,
- presence of international holding companies from the construction sector, such as: Skanska AB (Sweden), Epstein (USA), Ferrovial (Spain), Acciona (Spain), Apollo-Rida Poland (USA), Bau Holding Strabag AG (Austria), BEG S.A. and Eiffage Construction (France).





4.5. Sector development potential

Better availability of natural resources and lower labour costs compared to other parts of Poland encourage investors to move labour-intensive activities to the Macrореgion.

4.5.1. Education

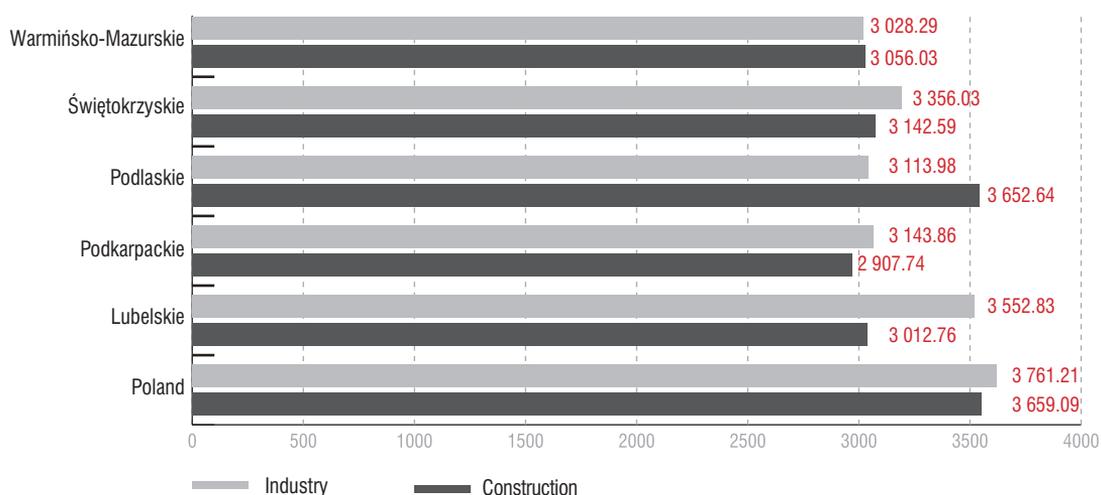
In the case of Eastern Poland voivodeships, low labour costs are accompanied by high level of human capital development, which is due to the presence of many higher schools in the region. The largest universities that educate future specialists in areas related to the non-metallic sector are: Lublin University of Technology (1,880 graduates in 2010/2011), Białystok University of Technology (2,640 graduates), Rzeszów University of Technology (2,645 graduates) and Kielce University of Technology (1,238 graduates).

Another advantage of the region is the presence in the labour market of well-qualified technical professionals that are sought-after in the sector of non-metallic mineral products.

4.6. Sector development prospects

- The prospects for the development of the non-metallic sector depend primarily on the situation in the food, pharmaceutical

CHART 4. Average gross monthly wages and salaries by voivodeship, from January to November 2012 (in PLN)



Source: Own compilation based on data obtained from Voivodeship Statistical Offices

TABLE 15. Schools and students of secondary technical education in Eastern Poland voivodeships in the school year 2011/2012

Voivodeship	Number of schools	Students	Graduates
Basic Vocational Schools			
Lubelskie	110	10 487	3 738
Podkarpackie	98	12 654	5 006
Podlaskie	50	4 763	1 809
Świętokrzyskie	67	6 650	2 516
Warmińsko-Mazurskie	80	9 566	3 303
Technical Secondary and Supplementary Technical Secondary Schools			
Lubelskie	205	32 332	7 726
Podkarpackie	156	38 112	9 952
Podlaskie	94	20 097	4 953
Świętokrzyskie	127	23 462	6 086
Warmińsko-Mazurskie	129	22 797	5 376
Specialised Secondary Schools			
Lubelskie	29	2 454	560
Podkarpackie	21	1 407	331
Podlaskie	14	753	143
Świętokrzyskie	9	863	202
Warmińsko-Mazurskie	18	965	341

Source: Own compilation based on data obtained from the Central Statistical Office.

TABLE 16. Higher education establishments in Eastern Poland which educate future employees of the non-metallic mineral products sector

Establishment	Main areas of instruction
Lublin University of Technology	Construction, materials engineering, production management and engineering
Higher School of Management and Administration in Zamość	Construction
State Higher Vocational School in Chełm	Construction
State Higher Vocational School in Biała Podlaska	Construction
Białystok University of Technology	Construction
State Higher School of Information Technology and Entrepreneurship in Łomża	Information technology and automation, Entrepreneurship
State Higher Vocational School in Suwałki	Construction, production management and engineering
Rzeszów University of Technology	Construction, production management and engineering, chemical technology, materials engineering, information technology
University of Rzeszów	materials engineering
State Higher Vocational School in Krosno	Construction, science of commodities
Kielce University of Technology	Construction, production management and engineering
University of Warmia and Mazury in Olsztyn	Construction, processing and chemical engineering
State Higher Vocational School in Elbląg	Construction
State Higher School of Finance and Management in Białystok branch in Elk	Construction

Source: Own compilation based on data obtained from the higher education establishments.

- and cosmetics and perfumery industries, as well as in the construction industry.
- Eastern Poland voivodeships, especially Podlaskie and Warmińsko-Mazurskie Voivodeships, food industry is very powerful. For the sector of non-metallic mineral products it is a source of potential demand for glass packaging. The most important consumers of glass packaging are brewing and distilling industries, fruit and vegetable processing industry and pharmaceuticals and cosmetics industry.
 - The glass packaging sector benefits from the current trends in the field of environmental protection. The gradual shift away from plastic packaging that is difficult to recycle and the revival of reusable packaging will help to improve the situation in the glass sector.
 - Another important factor stimulating the development of the sector is the situation in the construction industry. The building boom in the past few years has contributed to an increase in the production of non-metallic mineral products in Poland. The upward trend in the construction industry continued mainly due to preparations for Euro 2012 (building new hotels, sports facilities, roads and railway lines) and a growth in the residential building sector. An increase in the number of apartments and public buildings that are being handed over for use every year causes an increase in the new-owner demand for ceramics.
 - The vast majority of the demand for ceramic tiles and sanitary ceramics – about 70-80% is attributable to replacement demand, which is generated by replacing worn out or damaged materials in connection with the new refurbishment of apartments and buildings.
 - Another opportunity for the development of the non-metallic sector arises from the growth in the construction of concrete pavement roads. Due to the numerous advantages of such roads, more and more local governments choose this type of pavement in road construction. Over the last 10 years, many sections of local roads in Poland have been repaired in the concrete technology.
 - Nowadays, the use of concrete is not limited to buildings and infrastructure. In combination with art, technology, design and contractor skills, it can be used to shape the interior of a kitchen or bathroom. Concrete has become a fashionable material as it is easy to mould, colour, texturise and grind.

5. Logistic sector in Eastern Poland



5.1. Size, structure and characteristics of the sector

5.1.1. Road infrastructure

The road system in Macroregion Eastern Poland meets the needs of investment and economic activity in terms of capacity, surface strength, and load-bearing capacity of bridges and flyovers (measured by reference to the gross vehicle weight rating of road haulage vehicles). In the Macroregion, there are an average of 116 km of roads per 100 km². These are predominantly gmina (commune) and powiat (district) roads, which

account for nearly 86% of all roads in the region. The voivodeship with the most extensive road network in Eastern Poland is the Świętokrzyskie Voivodeship.

Modernisation of the road infrastructure in Macroregion Eastern Poland accelerated rapidly upon Poland's accession to the EU. It is expected that the decade of 2011–2020 will see an unprecedented development of the road infrastructure in Eastern Poland and by 2020 it will not be much different from the average EU standard. It will be possible, in the first place, due to the EU assistance programmes (within the framework of the cohesion policy) under which almost PLN 10 billion will be allocated to modernise transport infrastructure in Eastern Poland.

TABLE 17. Capital expenditure and cumulative value of fixed assets within the logistics infrastructure in Eastern Poland in Q3 2012

	Capital expenditure			Gross fixed assets		
	Total (in PLN millions)	Transport, warehousing (in PLN millions)	Transport, warehousing (in %)	Total (in PLN million)	Transport equipment (in PLN millions)	Transport equipment (in %)
Warmińsko-Mazurskie	769.5	10.1	1.31%	52.9	52.9	6.87%
Podlaskie	822.7	7.9	0.9%	822.7	45.5	5.53%
Lubelskie	2 231.8	159.4	7.14%	2 228.1	179.7	8.06%
Podkarpackie	2 008.0	58.4	2.9%	2 007.4	115.6	5.75%
Świętokrzyskie	1 257.9	28.3	2.24%	1 257.4	77.7	6.17%
Eastern Poland	7 089.9	264.1	3.72%	6 368.5	471.4	7.4%

Source: Own compilation based on: Statistical Yearbook, Central Statistical Office, Warsaw 2011

The primary objective is to modernise gmina and powiat roads. However, over the next few years, the network of major arterial roads in the Macroregion is going to be modernised as well. In the spring of 2012 the entire **A4 motorway** was completed, including its section running through the Podkarpackie Voivodeship up to the border crossing in Korczowa. In 2015 the last **section of A2 motorway** between Siedlce and Brest in Belarus is to be completed. In the same year the north-south **S19 express**

road, linking border crossings in Kuźnica Bi-alostocka and Barwinek, is to be completed as well. At the same time, other important roads passing through the Macroregion will be put into operation, including **express roads S7, S8, S12, S17, S51 and S61**. These modern dual carriageways of high quality and capacity will integrate the road system of Macroregion Eastern Poland into the European road system. They will provide fast and easy road access to virtually all countries of Western and Southern Europe as well as Baltic states (Via Baltica) and other countries of the former Soviet Union. Investing in Eastern Poland's road network is all the more important as over 50% of all the goods transported in Poland are carried by road.

TABLE 18. Total public roads in Eastern Poland by road category as of 31.12.2011

	Total	
	In absolute numbers	Per 100 km ²
Poland	412 263.7	131.8
Eastern Poland	119 293.0	116.0
Warmińsko-Mazurskie	23 081.5	95.4
Podlaskie	25 583.5	126.8
Lubelskie	34 598.6	137.8
Podkarpackie	18 924.4	105.6
Świętokrzyskie	17 105.1	146.3

Source: Own compilation based on: Central Statistical Office, Transport – results of operation, 2011

5.1.2. Railway infrastructure

The railway network in Eastern Poland Macroregion is dominated by non-electrified standard gauge lines. An exception is the Świętokrzyskie Voivodeship, where the share

of electrified lines expressed in absolute figures exceeds 75%.

The network connects virtually all major urban and industrial centres of the Macroregion. Some sections handle only freight traffic. Examples include the following sections: Radzyń Podlaski – Lublin, Włodawa – Chełm, Zamość – Dorohusk, etc. In fact, all these towns have specialised freight stations which enable quick loading and unloading of all types of cargo, including liquid and gaseous fuels, and containers. In general, the largest cities in the Macroregion have more than one freight station; for example, Lublin has the 'Tatary' station where the majority of freight traffic is handled, but there is also a freight station called 'Lublin Towarowy'. Kielce and Białystok have as many as 3 specialised cargo-handling stations each: Kielce Towarowe, Kielce Herbskie and Kielce Białogon, and Białystok Towarowy (services include handling of containers), Białystok Starosielce and Białystok Fabryczny.

Some stations that handle freight traffic (including smaller train holding stations) also have direct connection with fully-operational sidings leading to the nearby industrial plants. One example is Rzeszów Staroniwa station, which handles train traffic bound for the Rzeszów power plant and 'WSK Rzeszów' metallurgical works. With the railway network of sufficient density, transportation of essential raw materials and components needed by manufacturers, as well as transportation of finished goods and products is significantly facilitated. It can be handled via the existing and newly built railway sidings.

TABLE 19. **Public express roads and motorways in Eastern Poland, as of 31.12.2011**

	Express roads
Poland	737.5
Eastern Poland	129.9
Warmińsko-Mazurskie	71.6
Podlaskie	-
Lubelskie	4.2
Podkarpackie	-
Świętokrzyskie	54.1

Own compilation based on: Central Statistical Office, Transport – results of operation, 2011

TABLE 20. **Railway lines in use in Eastern Poland voivodeships (in km) as of 31.12.2011**

Region	Standard gauge		Electrified
	In absolute numbers	Per 100 km ²	
Poland	20 089	6.4	11 916
Eastern Poland	4 741	4.92	2 031
Warmińsko-Mazurskie	1 238	5.1	492
Podlaskie	763	3.8	222
Lubelskie	1 041	4.1	409
Podkarpackie	978	5.5	355
Świętokrzyskie	721	6.2	553

Source: Own compilation based on: Central Statistical Office, Transport – results of operation, 2011

Rail haulage services

Direct access to rail haulage services is possible through company-owned sidings. Such services are provided by specialised and experienced companies which maintain and manage railway infrastructure. The three biggest players in this market segment are: DB Schenker Rail Poland, CTL Logistics and PKP Cargo Group, which includes such companies as PKP Cargo Service or Trade Trans.

Broad Gauge Metallurgy Line

Of particular importance to the development of the Macroregion is the Broad Gauge Metallurgy Line (LHS) No. 65, which runs through 3 voivodeships and connects the border crossing in Hrubieszów with the railway station in Stawków (30 km away from Katowice). The LHS line has a direct connection (via the Ukrainian railway network) with the Trans-Siberian Railway and thereby with the Ukrainian and Russian railway systems. Thus, it is possible to create a Pan-European land transport corridor from Europe to Asia. Along the 395 km long line there are a dozen or so large specialised cargo handling terminals, which facilitate intermodal transport in southern Poland and make it cheaper. The largest ones include Zamość – Boratycze, Szczepieszyn – Brody Małe, Biłgoraj, Sędziszów and Sławków.

Modern solutions

The number of modern cargo handling terminals that meet European standards and are capable of handling virtually all types of cargo, is constantly rising. One of the largest and most modern terminals is the railport in Medyka opened in 2007 and owned by the Trade Trans Company. With a total warehouse space of 4 000 m² and a storage yard of 23 000 m², the railport can handle up to 600 000 tonnes of cargo a year.



5.1.3. Cargo handling terminals

Macroregion Eastern Poland is of particular significance for the efficiency of the country's logistics system as it borders on the former USSR states, where broad-gauge tracks (1 520 mm) – the so-called Russian gauge tracks – are used. The break-of-gauge makes it virtually impossible (with some exceptions) to transport goods directly by rail deep into the country. The only means to overcome this obstacle is cargo handling terminals of different types and sizes, where it is possible to quickly unload cargo from broad-gauge wagons to European gauge wagons or all types of road vehicles. The Macroregion has a few dozens of such facilities of various sizes and specialisations. They handle a large portion of trade between

Poland (and Europe) and the countries of the former Soviet Union. The largest terminals are located near major rail border crossings, such as Kuźnica Białostocka, Małaszewicze – Brest, Medyka, Dorohusk – Jagodin, Hrebenne – Rava Ruska, etc. Cargo-handling terminals are also located at the largest freight stations in close proximity to the border. One example is Chełm Wschodni station, which has 4 handling ramps with 16 standard-gauge (1 435 mm) tracks and 2 handling ramps with five broad-gauge tracks.

Specialisation of individual terminals allows for efficient and safe handling – both vertical and horizontal – of bulk materials, liquid fuels and gas (most of the cargo volume handled), as well as containers, timber and general cargo.

5.1.4. Warehouse infrastructure

In Macroregion Eastern Poland, the most important facilities are those owned by individual companies. Leading companies in the Macroregion are involved in large investment projects whose aim is to expand warehouse space. One example is the production and warehousing facility of 32 000 m² in Rzeszów constructed for Zelmer, a Polish tycoon in the manufacture of household appliances. There are also plans to continue expansion of modern warehouse space for rent in Eastern Poland. According to experts from Cushman & Wakefield, the majority of new facilities are to be situated in Lublin and Rzeszów and their vicinity. An example is the new warehouse complex in the Mielec Euro-Park in Felin – one of the poviats of Lublin. The facility of 14 100 m² has 24 docks and 12 doors, a storage height of 10 m, and a minimum module space of 2 350 m².

There are several companies in the Macroregion which offer warehouse space for rent of various types, sizes and purposes. These are mostly enterprises that have free space at their own warehouses.

TABLE 21. Total modern warehouse space in Eastern Poland

	Modern warehouse space (in thousand m ²)		
	2007	2008	2009
Poland	4 547.6	6 716.2	7 803.3
Eastern Poland	24.3	54.8	54.8
Warmińsko-Mazurskie	2	2	2
Podlaskie	0	0	0
Lubelskie	17.8	17.8	17.8
Podkarpackie	4.5	20	20
Świętokrzyskie	0	15	15

Source: Logistics in Poland, Report 2009, Poznań 2010, (ed.) I. Fechner, G. Szyszka, Institute of Logistics and Warehousing, Poznań 2010

It often means that the warehouses are equipped with special loading and handling equipment such as gantry cranes with a load capacity of several tonnes. They are also conveniently located close to transportation routes or industrial areas.

5.1.5. Logistics outsourcing

Businesses may use the services of specialised operators which provide outsourcing of comprehensive logistics services, supply chain management, etc. The Polish TFL sector is quite advanced in this respect as there are tens of large- and medium-sized operators (most of them with foreign shareholding) specialising in transportation, forwarding (both domestic and international) and warehouse services. With the necessary facilities and expertise, such companies are able to provide the standard of service that satisfies the needs of modern business.

In addition to basic TFL services, the companies also offer repacking, co-manufacturing and other value added services related to inward processing of goods. An example here is the Raben Group which offers the following services in Poland and many other European countries: contract logistics, warehousing (485,000 m² of A-class warehouse space), international road transport (general cargo shipment, LCL and FCL freight), domestic distribution, comprehensive logistics services

for fresh produce (from 2°C to 60°C) as well as sea and air forwarding services.

5.1.6. Direct support for foreign trade operators

An indispensable element supporting foreign trade is a network of specialised customs agencies, whose number in Macroregion Eastern Poland runs into tens. Their operations are supported by a relatively

Warehouse rent cost

The gross rent for 1 m² of warehouse space in the Macroregion is between PLN 11-20.

TABLE 22. Selected logistics companies operating throughout Poland

Company	Website
CAT LC Polska	www.groupecat.pl
Dartom Sp. z o.o.	www.dartom.com.pl
DB Schenker Poland	www.schenker.pl
Delta Trans	www.deltatrans.pl
Diera	www.diera.pl
DHL Polska	www.dpd.com.pl
FM Logistic Poland	www.pl.fmlogistic.com
Frans Maas Polska Sp. z o.o.	www.frans-maas-polska.polandtrade.pl
Gefco Polska	www.pl.gefco.net
Hellmann Worldwide Logistics Polska	www.hellmann.pl
PEKAES S.A.	www.pekaes.com.pl
Raben Polska Sp. z o.o.	www.raben.com.pl
TNT Express Worldwide (Poland) Sp. z o.o.	www.tnt.com/express/pl_pl/site/home.html

Source: Own compilation based on company data.

dense network of state and private bonded warehouses.

5.1.7. Transport services

In Eastern Poland, there are many companies providing transport services. The voivodeships located along Poland's eastern border are also the eastern border of the EU. They border on Slovakia, Ukraine, Belarus, Lithuania and the Kaliningrad Oblast (Russia). Therefore, the demand for international transport services is huge.

Rail transport companies are planning new projects in Macroregion Eastern Poland. For example, PKP LHS is going to expand its terminals in the Lubelskie Voivodeship

(Szczeczeszyn) and in the Podkarpackie Voivodeship (Wola Baranowska).

5.1.7.1. Lorry transport

Nearly 20% of the total number of lorries in Poland are registered in Macroregion Eastern Poland. The smallest number of lorries can be found in the Podlaskie Voivodeship (2.7%) and the Warmińsko-Mazurskie Voivodeship (3.3%), while the largest – in the Lubelskie Voivodeship (over 5%).

However, it is not only the number of lorries that matters but also their load capacity. The most common type of lorries in Macroregion Eastern Poland – as well as in Poland as a whole – are those with a small load capacity of less than 1 tonne. The highest percentage of lorries with a capacity of 5 and more tonnes can be found in the Podlaskie Voivodeship. These vehicles account for 7.75% of the total number of lorries in the voivodeship. In Macroregion Eastern Poland the percentage of such vehicles is higher than for the whole country: 6.96% vs. 6.7% respectively, which is mainly due to the fact that Eastern Poland is a trans-border region.

5.1.7.2. Bus transport

Against the background of the country as a whole, bus transport in Macroregion Eastern Poland is well developed. It is dominated by suburban and regional services. Due to their specific geographical location, eastern voivodeships also have many international bus connections. The highest number of such connections can be found in the Lubelskie Voivodeship (68% of the total number of connections in Macroregion Eastern Poland). Urban lines are best developed in the

TABLE 23. Number of bonded warehouses, duty-free zones, duty-free warehouses and temporary storage warehouses in Q1-Q2 2012

	Number of bonded warehouses	Number of duty-free zones and duty-free warehouses	Number of temporary storage warehouses
Poland	542	16	372
Eastern Poland	146	2	70
Biała Podlaska	51	0	41
Białystok	18	0	1
Kielce	11	0	0
Olsztyn	11	1	3
Przemyśl	43	1	40

Source: Statistical Bulletin of the Customs Service for Q1-Q2 2012, Ministry of Finance

Responsibilities of customs agencies:

- customs clearance of export, import and transit cargoes
- completing TIR carnets and CMR notes
- issuing additional documentation such as certificates of origin or EUR.1 movement certificate
- permanent cooperation with warehouses and bonded warehouses
- assistance in transport arrangements

TABLE 24. Selected firms providing transport services

Voivodeships	Firm	Range of operation	Internet address
Podlaskie	Adampol S.A.	international	www.adampolsa.com.pl
Podlaskie	Bilax Sp. z o.o.	international	www.bilax.pl
Podlaskie	Bojar	international	www.bojar.pl
Podlaskie	Logistyka Podlasie	domestic	www.logistykapodlasie.pl
Podlaskie	Pronar Sp. z o.o.	domestic	www.pronar.pl
Warmińsko-Mazurskie	Sped Trans Olsztyn	international	www.spedtrans.net
Warmińsko-Mazurskie	Warmińsko-Mazurskie Centrum Logistyczne Lemar Logistics	domestic	www.logistyka.olsztyn.pl
Warmińsko-Mazurskie	Wekta	international	www.wekta.pl
Warmińsko-Mazurskie	MBK Bogustaw Kamiński	international	www.mbk-transport.pl
Warmińsko-Mazurskie	Eureka Sp. z o.o.	international	www.eureka-trans.pl
Świętokrzyskie	Rob-Trans	international	www.robtrans.pl
Świętokrzyskie	Trans-Serwis	international	www.trans-serwis.com
Świętokrzyskie	Elpologistyka Sp. z o.o.	international	www.elpologistyka.pl
Świętokrzyskie	JuPiter	international	www.jupiter-przeprowadzki.pl
Świętokrzyskie	Magpol	international	www.magpol.net
Lubelskie	California Trailer Sp. z o.o.	international	www.c-t.pl
Lubelskie	Export-Import Tomasz Prokopiuk	international	www.prokopiuk.pl
Lubelskie	Kociuk&Magier Sp. z o.o.	international	www.k-m.pl
Lubelskie	OCM Logistic Sp. z o.o.	international	www.ocmlogistics.com
Lubelskie	Galaauto Sp. z o.o.	international	www.galaauto.pl
Podkarpackie	Omega Pilzno Godawski&Godawski Sp. z o.o.	international	www.omega-pilzno.com.pl
Podkarpackie	Transsped Sp. z o. o.	international	www.transsped.net.pl
Podkarpackie	Krys Trans Sped Sp. z o.o.	international	www.krystranssped.com.pl
Podkarpackie	Rod-Trans Sp. z o.o.	international	www.rodtrans.eu
Podkarpackie	Alta-Trans	international	www.alta-trans.pl/pl

Source: Own compilation based on data from the firms.

TABLE 25. Number of lorries in Eastern Poland vs. entire Poland, as of 31.12.2011

	Number of lorries	% of total number of lorries
Poland	2 767 035	100.00
Eastern Poland	552 231	19.95
Warmińsko-Mazurskie	91 045	3.32
Podlaskie	75 250	2.71
Lubelskie	140 810	5.08
Podkarpackie	133 338	4.81
Świętokrzyskie	111 792	4.04

Source: Own compilation based on Central Statistical Office, Transport – results of operation, 2011

TABLE 26. Number of lorries in Eastern Poland by load capacity groups, as of 31.12.2011

Region	No. of lorries by load capacity								
	0-999	1000-1499	1500-2999	3000-3499	3500-4999	5000-6999	7000-9999	10 000-14 999	od 15 000
Poland	1 595 522	665 097	196 021	25 251	54 461	150 749	83 463	72 865	32 330
Eastern Poland	300 718	129 314	37 045	4 611	10 596	31 982	17 054	14 977	5 962
Warmińsko-Mazurskie	52 348	19 120	5 303	762	1 921	5 272	2 630	2 682	1 007
Podlaskie	40 184	18 468	4 780	575	1 322	4 156	2 446	2 450	896
Lubelskie	77 797	33 139	9 595	1 104	2 310	7 512	4 371	3 561	1421
Podkarpackie	73 952	29 311	9 421	1 100	2 805	7 423	4 226	3 643	1 457
Świętokrzyskie	56 437	29 276	7 948	1 070	2 238	7 622	3 381	2 641	1 181

Source: Own compilation based on CSO, Transport – results of operation, 2011



TABLE 27. Urban transport network in Eastern Poland as at 31.12.2011 in kilometres

	Number of transport services	
	Bus	Tram
Poland	50 886	2 246
Eastern Poland	9 760	42
Warmińsko-Mazurskie	1 493	42
Podlaskie	1 122	-
Lubelskie	1 708	-
Podkarpackie	3 221	-
Świętokrzyskie	2 216	-

Source: Own compilation based on Central Statistical Office, Transport – results on operations 2011

Świętokrzyskie Voivodeship – 20% of connections, which represents 58% of all connections in Eastern Poland.

The Warmińsko-Mazurskie, Podlaskie, Lubelskie and Podkarpackie Voivodeships constitute the eastern border of the European Union, and therefore their authorities are responsible for controlling the cross-border movement of goods and people to and from the EU.

The most important voivodeship in terms of bus transport is the Lubelskie Voivodeship with the following border crossing points for pedestrians and vehicles: Dorohusk – Jagodzin, Hrebenne – Rawa-Ruska, Sławatycze – Damachava, Terespol – Brest and Zosin – Ustilug. In 2010, more than 53 000 buses and over 3.5 million cars and motorcycles crossed the border at these points (except for Sławatycze – Damachava crossing point which does not clear buses).

In the case of lorries and tractor units, a significant proportion of traffic is handled by border crossing points in the Lubelskie and Podlaskie Voivodeships. The border can be crossed at the following points: Bobrowniki – Bierestowica and Kuźnica – Bruzgi.

5.1.7.3. Rail transport

The rail transport in both Macroregion Eastern Poland and Poland as a whole is highly liberalised. It is evidenced by the fact that in December 2011 there were more than 100 carriers operating on the market.

A major advantage of Macroregion Eastern Poland is its geographical location. The status of a border region favours the movement of goods, and thereby the railway transport sector. The most active provider of rail transport services is PKP Cargo. On 31 December 2011 PKP Cargo had 65 453 railway cars at its disposal. Additionally, approx. 4 thousand railway cars not owned by the company were operated.

5.1.7.4. Air transport

There are two operating airports in Eastern Poland: the airport in Rzeszów-Jasionka and the airport in Lublin-Świdnik (opened on 17 December 2012). In the 1970's, airport in Rzeszów-Jasionka became an international airport and at the same time an alternate aerodrome for Warsaw Okęcie Airport. At present, the airport serves flights to and from Barcelona Girona, Birmingham, Bristol, Dublin, East Midlands, Frankfurt, London Luton and Stansted Manchester, Warsaw.

Despite the overall decrease in the amount of cargo transported in Poland due to the economic crisis, Rzeszów-Jasionka airport recorded an increase of 8.16% in cargo flows.

MAP 4. Road, rail, air and water border crossing points in Macroregion Eastern Poland



Source: Own study based on Polish Border Guard data.



TABLE 28. Rail border crossing points in Eastern Poland voivodeships

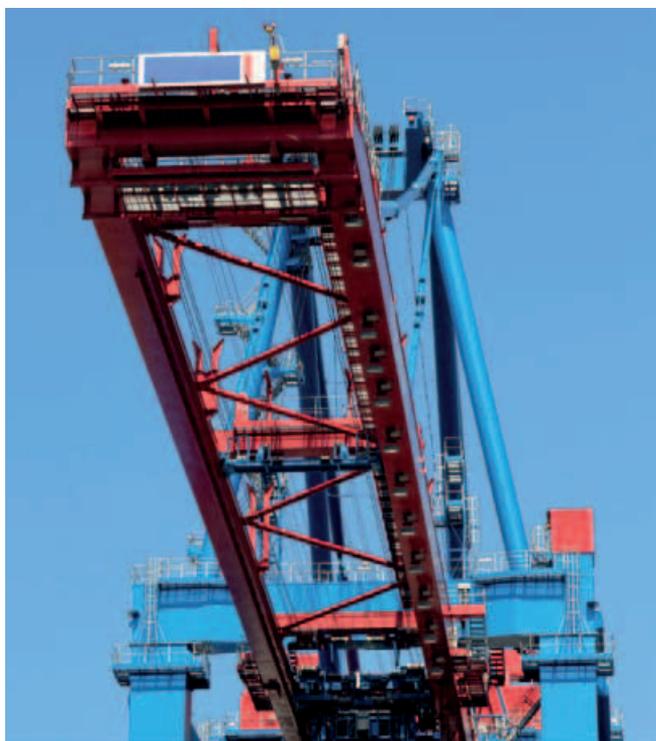
Region	Number of rail border crossing points	
	For passengers	For goods
Warmińsko-Mazurskie	1	3
Podlaskie	2	2
Lubelskie	4	3
Podkarpackie	2	2

Source: Own compilation based on www.strazgraniczna.pl

TABLE 29. Transport of cargo at the Rzeszów-Jasionka airport vs. entire Poland in 2008–2009

Airport	Cargo in tonnes	
	2008	2009
Rzeszów-Jasionka	515	557
Poland – total	80 255	73 982

Source: Logistic in Poland, Report 2009, Poznań 2010



There are three cargo terminals at the airport: Cargo 1 with a total area of 102 m², Cargo 2 – 136.9 m², and Cargo 3 (which is a cold storage container) – 33.95 m². After 15 months of construction work, on 8 May 2012 passenger service was transferred to New Passenger Terminal.

5.2. Success story

5.2.1. Adampol

The company was established in 1990, and its headquarters are located in Zaścianki near Białystok. Owing to its rapid growth, the company went public already in 1996. Adampol is engaged primarily in the transport of cars, vans and pickup trucks. The company has its own handling yards and repair shops. Cargo is transported using car transporters and special wagons. The company uses state-of-the-art solutions such as a VIN-based monitoring system.

5.2.2. Barter S.A.

The company's core business is import, sales and distribution of propane, butane and propane-butane mix. Liquefied petroleum gas (LPG) is imported from the best refineries in Russia and Central Europe. Barter S.A. is also one of the key importers of hard coal from Russia and Kazakhstan as well as an importer and distributor of fertilizers. The company has its own handling terminal in Sokółka, which is mainly used for the handling, storage and distribution of LPG, coal and mineral fertilizers. The terminal is so designed as to enable transloading of cargo from broad-gauge wagons to standard-gauge wagons and road vehicles. With a revenue of PLN 2.015 billion, in 2011 Barter S.A. was ranked 161st among the 500 largest Polish companies in the prestigious ranking of Polityka weekly.

5.3. Sector growth potential

Due to their trans-border character, Eastern Poland voivodeships are an ideal location for forwarding depots, especially modern warehouses.

Although the road network in eastern voivodeships is considerably less developed than in the rest of Poland, its condition is good. There is great demand for new roads, especially express roads and motorways. Their construction should further boost the attractiveness of the logistics sector in the region.

Railway infrastructure is being constantly modernised. The primary objective of investment projects is to integrate Polish rail transport system with that of the European Union, in terms of both technical standards and interoperability of railway lines. In the railway transport sector it is particularly important to provide cross-border services, in particular to non-EU countries.

The air logistics sector is growing every year. So far air traffic has only been handled by the Rzeszów airport, now there is also a new airport in Lublin-Świdnik.

5.4. Development prospects

- Macroregion Eastern Poland constitutes the eastern frontier of the European Union and the European Economic Area, and the chances are that this will not change for many years to come. This means that there are good prospects for a further growth of the broadly-defined logistics sector, in particular the handling and warehousing infrastructure.

Planned airports

Two airports are to be built in Eastern Poland:

- **in Saniki (20 km away from Białystok)**
- **in Obice (about 25 km away from Kielce)**

- This process will be facilitated by the ongoing modernisation of rail and road routes.
- The logistics sector can already feel the positive effect of the largest projects implemented in Macroregion Eastern Poland. One of the most remarkable examples is the new IKEA plant manufacturing wood-based panels in the gmina of Orla in the Podlaskie Voivodeship at a cost of EUR 340 million.
- As the volume of raw materials imported from Belarus is expected to increase, transport routes linking Orla with the border crossing point in Połowce are already being modernised.

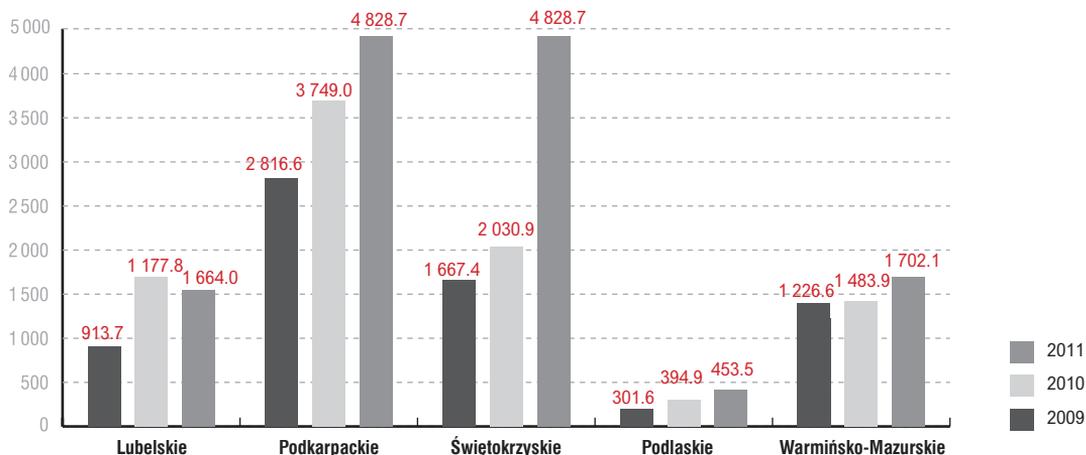
6. Metallurgical sector in Eastern Poland



6.1. Size and structure of the sector

In terms of average employment, metallurgy is the fourth most important sector in the industrial production of Macroregion Eastern Poland. This sector includes manufacturers of metal structures, metal elements of doors and windows, tankers, tanks and containers, metal packages, tools, fasteners, nails, screws, chains, etc. Their customers are mostly industrial and construction companies. This means that economic situation of the metallurgical sector is highly dependent on the situation of the whole economy. The economic forecasts for the next few years are favourable. Poland is one of the few countries which did not suffer a reduction in GDP during the crisis-stricken year 2009. Economic recovery and investments connected with Euro 2012 as well as expenditure on infrastructure development have stimulated growth of the construction sector, which, in

CHART 5. Sold production of metal industry in the voivodships of Eastern Poland in 2009–2011 (in mln PLN)



Source: Personal calculations on the basis of: Statistical bulletin of Central Statistical Office 2011, IV quarter

turn, is one of the main customers of the metallurgical sector. Thus, the sound economic standing of the construction industry means faster growth of the metallurgical sector.

6.2. Characteristics and main development centres of the sector

Metallurgical sector in Eastern Poland is most strongly represented in two regions with industrial traditions: in the Świętokrzyskie and Podkarpackie voivodeships. Among the other three voivodeships, the Warmińsko-Mazurskie has the lead and is followed by the Lubelskie, while the Podlaskie comes last.

These differences are reflected in the level of employment in the metallurgical sector in relation to total employment in industry in individual voivodeships of the Macroregion.

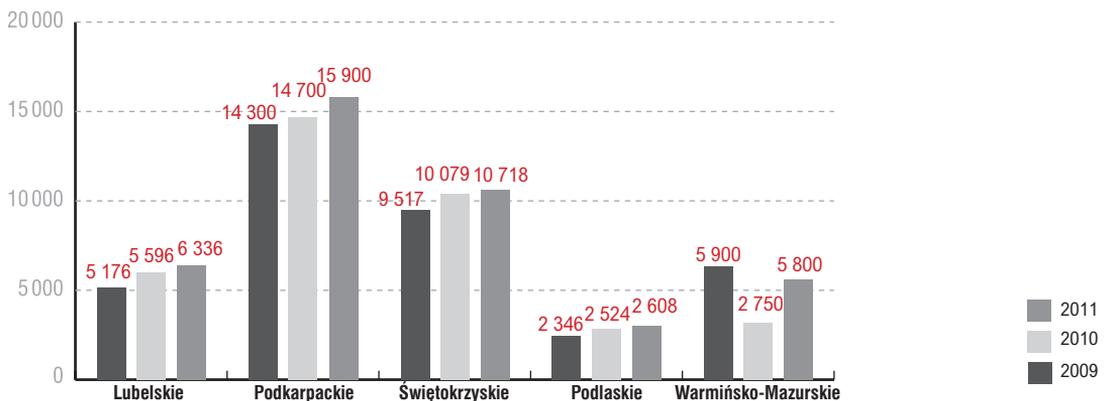
In the Świętokrzyskie Voivodeship, metallurgical industry employs about 10 000 people, which makes it the biggest employer in the enterprises sector. One of the biggest

employers in the Świętokrzyskie Voivodeship is Celsa Huta Ostrowiec (Celsa Steelworks Ostrowiec), which employs 1 389 people. It is also one of the most modern production plants in the Macroregion, which, despite the economic downturn, has not made any lay-offs and continues to invest in its production facilities.

In the whole Macroregion of Eastern Poland, the Podkarpackie Voivodeship is the undisputed leader with a 40% employment rate in the metallurgical industry. What is more, this rate is still growing. Actually, metallurgical industry is the third largest employer of the Podkarpackie Voivodeship, following food and rubber and plastics sectors.

The metallurgical sector in Macroregion Eastern Poland is developing dynamically, which is evidenced by the rapid growth in the sector's total sales as well as in the employment level. As far as total sales are concerned, there was a noticeable improvement in 2010 followed by a further growth in 2011, and this tendency continued in the first quarter of 2012.

CHART 6. Average employment in metallurgical industry in the voivodeships of Eastern Poland in 2009–2011



Source: own compilation on the basis of data derived from the Statistical Bulletins of Central Statistical Office 2011. As at Q4 2011.

MAP 5. Main centres of metallurgical industry in Macroregion Eastern Poland



Source: Own compilation based on information collected from the companies.

The largest companies operating in the metallurgical sector are located in the Świętokrzyskie and Podkarpackie Voivodeships. Metalworking has been the traditional industry in the area stretching from the Staropolski Industrial District (Staropolski Okręg Przemysłowy) to the Central Industrial District (Centralny Okręg Przemysłowy) since the turn of the 20th century, when they were created. Therefore, the main centres of metallurgical industry in Macroregion Eastern Poland are located within the area shown on [Map 5].

Staropolski Industrial District (Staropolski Okręg Przemysłowy) – mainly Kielce (e.g. NSK Bearings Polska S.A.), Ostrowiec Świętokrzyski (e.g. Celsa Huta Ostrowiec Sp. z o.o. – Celsa Steelworks Ostrowiec, Wytwórnia Konstrukcji Stalowych Sp. z o.o. – Factory of Steel Structures), Radom (e.g. Fabryka Broni Łucznik Sp. z o.o. – Łucznik Weapon Factory), Skarżysko-Kamienna (e.g. Zakłady Metalowe Mesko S.A. – Mesko Metallurgical Plant), Starachowice (e.g. Odlewnie Polskie S.A. – Polish Foundries, operating in the Starachowice Special Economic Zone).

Rzeszów Industrial District (Rzeszowski Okręg Przemysłowy) an example of cooperation in this region is the Kom-Cast cluster created in 2006 in Rzeszów. It is made up of 26 companies from the Podkarpackie, Świętokrzyskie and Lubelskie Voivodeships which operate in the foundry sector. The cluster accounts for 20% of the sector's total production and 30% of its exports. Other important centres of metallurgical industry in this region are: Mielec, Rzeszów, Stalowa Wola and Nowa Dęba.

Lublin Industrial District (Lubelski Okręg Przemysłowy) – mainly Janów Lubelski (Caterpillar Poland Sp. z o.o.) and Kraśnik (Tsubaki-Hoover Poland Sp. z o.o.).

In the north-east of the Macroregion, companies operating in the metallurgical sector tend to be much more scattered over the area. They are mostly located around big cities:

- **Białystok** (e.g. Ferrox Sp. z o.o., Pronar Sp. z o.o. with the main office in Narew)
- **Elbląg** (e.g. Zakład Metalurgiczny Alstom Power Sp. z o.o. – Alstom Power Metallurgical Plant).

Metallurgical sector vs. economic crisis

Polish metallurgical sector has already gone through the difficult time of political transformation in the '90s and the financial crisis of 2008/2009. Most enterprises in this sector have been privatized and are now operating on market conditions. Moreover, as a result of new development opportunities, a number of new companies have been established.

6.3. Success story

6.3.1. CELSA Huta Ostrowiec (CELSA Ostrowiec Steelworks)

Huta Ostrowiec (Ostrowiec Steelworks) is an enterprise with a long history in the metallurgical industry, which grew after a takeover by a foreign investor.

In 2003, Ostrowiec Steelworks – a metallurgical plant with over 200-year long tradition – was bought by the Spanish CELSA Group. As a result, CELSA Group became a major player on the market of forged metal products. Thanks to the large capital employed, investments and technological support, from all companies in the Group, Ostrowiec Steelworks soon became the leader on the national markets of metallurgical products, which in turn made the whole CELSA Group one of the biggest steel producers in Europe. Currently, CELSA Huta Ostrowiec (CELSA Ostrowiec Steelworks) comprises the following production plants:

- **Zakład Wyrobów Walcowanych (Factory of Rolled Steel Products)**, which consists of the Steelworks Department with continuous steel casting, the Small Elements Rolling Department, and the Sections Rolling Department (since the fourth quarter of 2009);
- **Zakład Wyrobów Kutyh (Factory of Forged Products)**, which includes the Rolling Department, the Pressing and Thermal Processing Department, the Mechanical Processing Department.

In the fourth quarter of 2009, CELSA Ostrowiec Steelworks opened a new rolling mill. This enabled the company to expand its range of products, which now includes large-sized shaped bars, plain quality-steel bars and steel sections.

Why invest in Eastern Poland:

- less severe competition in the sector on the local market as there are fewer competing companies;
- lower price of real estate;
- location near the border with the European Union countries (Lithuania and Slovakia) and countries of the former Soviet Union (Russia, Belarus and Ukraine), and thereby export opportunities. It is particularly important in the case of metallurgical sector where transportation costs play a major role;
- governmental plans to expand the road network, including the Trans-European Transport Corridors that connect the European Union with the East, and the plans to build airports
- near the biggest cities of the Macroregion;
- high quality of human resources resulting mainly from the presence in the region of technical higher schools;
- attractive resources of labour force – a favourable relation of qualifications to wages.





6.4. Cluster, organizations and supporting associations

6.4.1. Metalworking Cluster of Podlasie

The **Metalworking Cluster of Podlasie (Podlaski Klaster Obróbki Metali)** was created in December 2007. The main objectives of its founders were as follow: to develop co-operation within the framework of an industry cluster or a few specialist sub-clusters, to promote producers of metallurgical products and machines and equipment from Podlasie, to acquire innovative technological and business solutions, and to secure availability of qualified human resources to meet the industry's needs. The initiative was addressed to companies operating in the metallurgical and engineering sectors and business entities that support them.

6.4.2. Association of Producers of Casting Components Kom-Cast

Another example of a cluster that operates in Eastern Poland is the **Association of Producers of Casting Components Kom-Cast (Stowarzyszenie Producentów Komponentów Odlewniczych Kom-Cast)** created in 2006. Apart from casting companies from the Macroregion, it includes enterprises from the construction and engineering sectors. It also cooperates with the Department of Casting and Welding at Rzeszów University of Technology.

6.4.3. Aeronet Aviation Valley

In January 2004, under the auspices of Rzeszów University of Technology, an agreement was concluded whereby the **Centre of Advanced Technologies Aeronet – Aviation Valley (Centrum Zaawansowanych Technologii Aeronet – Dolina Lotnicza)** was set up. The agreement was signed by the Technical Universities of Lublin, Silesia,

Łódź and Warsaw, the University of Rzeszów and the Association of Aviation Industry Entrepreneurs Aviation Valley. The organization was created in response to a competition announced by the Ministry of Scientific Research and Information Technology in which the applicants could receive funds for the coordination and organization of centres of advanced technologies. In February 2005 the partners of the undertaking were joined by the Aviation Institute in Warsaw. Another three partners joined the organization in 2006, namely: the Institute of Basic Technical Problems of the Polish Academy of Sciences, the Szewalski Institute Of Fluid-Flow Machinery of the Polish Academy of Sciences, and Częstochowa University of Technology.

6.4.4. Staropolska Chamber of Industry and Commerce)

It is the biggest organization that brings together entrepreneurs in the Świętokrzyskie Voivodeship. It has been present on the market since 1990. Currently, it affiliates over 150 firms, which employ about 14 000 people. **Staropolska Chamber of Industry and Commerce (Staropolska Izba Przemysłowo-Handlowa)** belongs to the National System of Services for Small and Medium-Sized Enterprises – a network of 130 regional business support centres whose aim is to increase the competitiveness of Polish SMEs by providing them with high-quality consultancy, educational, information and financial services.

6.4.5. Chamber of Industry and Commerce in Białystok

The oldest, the biggest and very active institution of economic self-government in the region. It operates under the Chambers of Commerce Act and therefore fits perfectly into the formula of socially significant economic self-government organizations which are not profit oriented but instead pursue the mission of stimulating the region's economic

growth. It is an open organization which affiliates, on a voluntary basis, small, medium and large enterprises from the Podlaskie Voivodeship that operate in the area of production, trade and services.

6.4.6. Warmia and Masuria Chamber of Crafts and Entrepreneurship in Olsztyn

It is an economic self-government organization of crafts and small and medium-sized enterprises that has a legal entity and operates under the Craft Act of 22 March 1989 and its own statutes. The mission of the Chamber is to provide well-trained staff for crafts and small enterprises, support the development of SMEs, constantly train and improve the qualifications of SMEs' employees, and increase the competitiveness of SMEs by providing them with a full range of high-quality services.

6.4.7. Technical Association of Polish Casting Specialists, Branch in Rzeszów

The Technical Association of Polish Casting Specialists (Stowarzyszenie Techniczne Odlewników Polskich, abbreviated in Polish as STOP) is an independent organization with a scientific, technical and managerial profile. It affiliates, on a voluntary basis, individual persons, especially engineers, students, etc., and supporting members, including business entities whose activity is related to casting, and in particular those that cooperate with higher schools, research institutes, design offices, and trading, service and production firms.

6.5. Potential of sector's development

In the case of the metallurgical sector, potential should be understood as advantages which encourage fast and sustainable development of the region. Undoubtedly, Eastern Poland has such advantages. They

Technical schools in the Macroregion:

- **Białystok University of Technology (Politechnika Białostocka)** – students can choose from the following specializations: mechanics and mechanical engineering, automatics and robotics;
- **Lublin University of Technology (Politechnika Lubelska)** – available specializations include: material engineering, mechanics and mechanical engineering;
- **Kielce University of Technology (Politechnika Świętokrzyska w Kielcach)** – offers the following specializations: material engineering, mechanics and mechanical engineering, and production management and production engineering;
- **Ignacy Łukasiewicz University of Technology in Rzeszów (Politechnika Rzeszowska im. Ignacego Łukasiewicza)** – students are taught the following specializations: material engineering, production engineering, aviation and aeronautics, mechatronics;
- **Eugeniusz Kwiatkowski Complex of Technical Schools in Rzeszów (Zespół Szkół Technicznych im. Eugeniusza Kwiatkowskiego w Rzeszowie)** – educates casting technicians.

Schools providing education in areas supplementary to metallurgical sector:

- **University of Warmia and Mazury in Olsztyn (Uniwersytet Warmińsko-Mazurski w Olsztynie),**
- **University of Białystok (Uniwersytet w Białymstoku),**
- **School of Finance and Management in Białystok (Wyższa Szkoła Finansów i Zarządzania w Białymstoku),**
- **Maria Skłodowska-Curie University in Lublin (Uniwersytet Marii Curie-Skłodowskiej w Lublinie),**
- **John Paul II Catholic University of Lublin (Katolicki Uniwersytet Lubelski im. Jana Pawła II),**
- **Jan Kochanowski University of Humanities and Sciences in Kielce (Uniwersytet Humanistyczno-Przyrodniczy im. Jana Kochanowskiego w Kielcach),**
- **University of Rzeszów (Uniwersytet Rzeszowski).**

are not yet adequately capitalized on in some sectors but their correct identification and utilization will provide an effective stimulus for development.

6.5.1. Education

Eastern Poland is the Macroregion of young people. About 30% of the citizens of Eastern Poland are under 25 years of age, which means a huge manpower potential. It should be noted that it is educated manpower. There are about 300,000 students in the higher schools of Macroregion Eastern

Poland, of which many are technical schools that offer education in areas that are essential to future specialists in metallurgy and metallurgical products.

The higher schools in the Macroregion also educate specialists in other areas vital to the efficient operation of companies from the metallurgical sector. These are in particular specialists in the field of economy, management and law, as well as physics, chemistry, mathematics and IT.

6.6. Perspectives of sector's development

The Macroregion of Eastern Poland is very attractive and offers development prospects for the metallurgical sector.

- Eastern Poland has large resources of creative, well-educated manpower that can be used by enterprises operating in this sector. The region boasts a long-standing tradition in metallurgy.
- Higher technical schools in Macroregion Eastern Poland provide education in areas essential to future specialists in metallurgy and metallurgical products.
- Companies operating in this sector are aware of the benefits arising from cooperation, and therefore more and more clusters and associations are established in Eastern Poland. An example is Kom-Cast association created in 2007 by 26 companies from the Podkarpackie, Świętokrzyskie and Lubelskie Voivodeships. The member companies currently account for 20% of sales in the Polish foundry industry and 30% of exports of castings. They employ over 4 200 highly-skilled employees and cooperate with the Department of Casting and Welding at the University of Technology in Rzeszów. It is an example of how the metallurgical sector in Eastern Poland has developed in recent years and a very good prognosis for the sector's development in the future.

7. Engineering sector in Eastern Poland



7.1. Sector size and structure

In 2011 the sales revenue generated by the machine and equipment manufacturing sector in Eastern Poland amounted to over 5 bln PLN. The biggest part of production (26%) is located in the Podkarpackie Voivodeship.

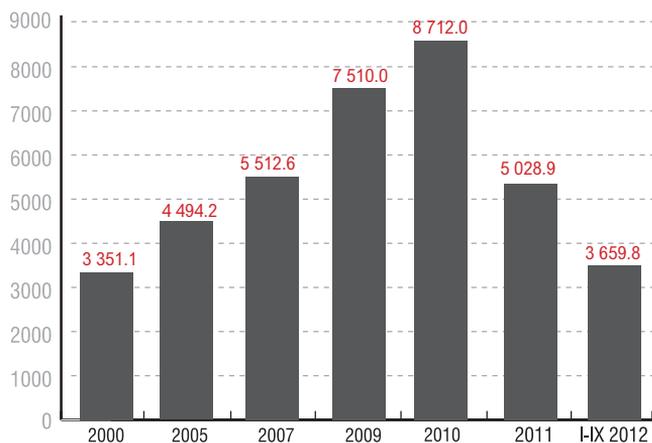
Since 2005 capital expenditure on machines and technical devices keeps increasing, while employment in the sector remains at a similar level. At the end of 2011 the sector's overall employment was approx. 22 thousand employees, which is about 5.5% of the total workforce employed in industry in the Macroregion Eastern Poland.

TABLE 30. The sold production value of machines and devices in Eastern Poland in PLN mln (current prices)

	2009	2010	2011
Eastern Poland	4 151.6	4 651.9	5 107.5
Warmińsko-Mazurskie	677.4	698.9	729.5
Podlaskie	583.7	680.1	951.9
Lubelskie	867.1	915.4	1 089.0
Podkarpackie	1 154.3	1 287.0	1 319.1
Świętokrzyskie	869.1	1 070.6	1 018.9

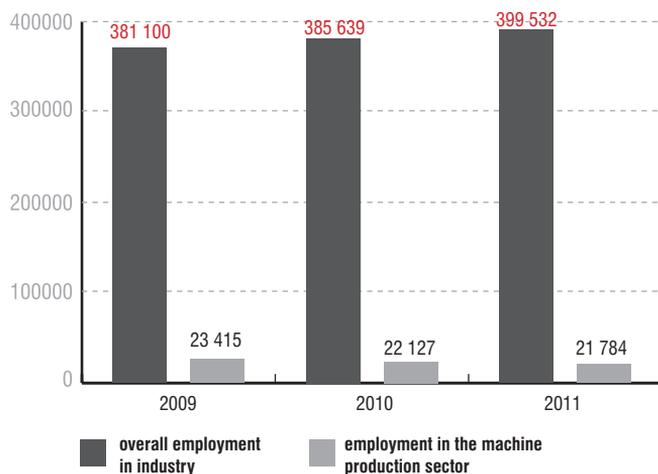
Source: Personal document on the basis of data from the Voivodeship Statistical Offices

CHART 7. Companies' capital expenditures on machines, technical devices and tools in Eastern Poland in 2000-IX 2012 (current prices in million PLN)



Source: Own compilation based on data from Voivodeship Statistical Offices

CHART 8. Employment in the industry, including machine production, in Eastern Poland in 2009-2011



Source: Own compilation based on data from Voivodeship Statistical Offices

7.2. Description of the sector and major development centres

The characteristic feature of the engineering sector in Eastern Poland is its focus on the food and agricultural industries, both very well-developed in the region. In result thereof, the Macroregion is, predominantly, home to companies specializing in the production of machines and equipment for the agriculture and food sector, e.g. farm truck tractors. For this, the production of machine parts and components is also well-developed. However, it must be emphasized that it is a sector with huge growth potential.

The most developed engineering centres are located in voivodeship capital cities, with the exception of Podkarpackie and Lubelskie Voivodeships where the engineering sector is very well-established and has a long tradition – the manufacturing centres operate in smaller cities and towns: Stalowa Wola, Mielec, Świdnik, Międzyrzec Podlaski or Janów Lubelski.

7.2.1. Engineering sector companies

The Macroregion's specific character and the significance of the agricultural sector are responsible for the fact that many companies in the region specialize in the production of agricultural machines. The biggest regional manufacturer of farming machines is **Pronar Sp. z o.o.** with its head office in Narew. It is the leading manufacturer of agricultural machinery in the Macroregion, and also a respected and recognized manufacturer on the national and global markets. Production of tractors, agriculture and special trailers, power hydraulics and plate wheels takes place in plants located in Podlasie, i.a. in Narew, Narewka and Strable (Bielsk Podlaski powiat).

MAP 6. Location of major engineering companies in Eastern Poland



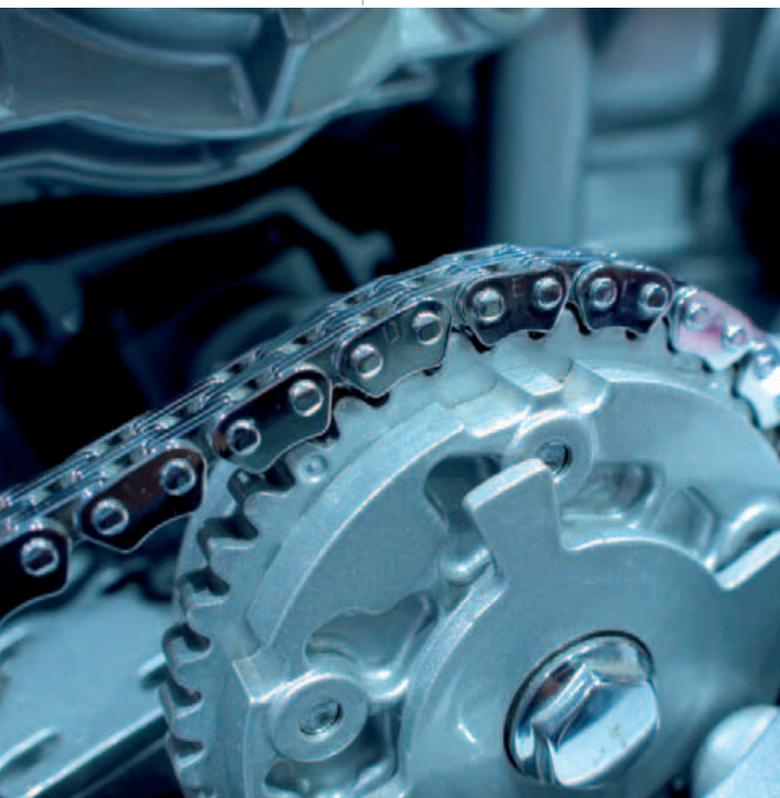
Source: Own compilation based on data obtained from companies

In the period 2002-2011, the company predominantly increased its capital expenditure, exceeding PLN 60 mln in 2011.

Another large manufacturer of agricultural machinery is **Samasz** from the Podlaskie voivodeship, offering 120 various agricultural machines. This wide selection includes 29 types of mowers (i.a. rotary, drum, disk, flail, arm-type flail mowers), forage machines, tedders, rakes, snow ploughs and pneumatic seeders. The large part of Samasz sales revenue is generated by exports (60% at the end of 2009). The company exports its products to more than 30 countries, i.a. to Germany, Russia, United Kingdom and Scandinavia. The brand is also recognized in Spain and Baltic countries.

Some manufacturers of farm machinery are also based in the Lublin region. For example, **Simpa SA** with head office in Lublin and its competitor – **Agricultural Machine Factory Meprozet Sp. z o.o.** in Międzyrzecze Podlaskie. These companies manufacture i.a. seeders, loaders and rakes.

The engineering companies operating in Eastern Poland actively engage in the export business. **Technical Equipment Factory Unimasz Sp. z o.o.** from Olsztyn (specializing in the production of technology for the meat and fruit-vegetable processing industry, metallurgical and construction industry) successfully exports to Denmark, Germany, England and Poland's eastern neighbors – Lithuania, Latvia and Russia. Its most prestigious customers include Merrem la Porte BV from the Netherlands, German Zentis,



Incolab and Danone. The company's export revenues in 2008 was 5,43% of its overall revenues (that is PLN 30,3 mln).

7.3. Success story

7.3.1. Komax Sp. z o.o.

Komax Sp. z o.o. is a great example of foreign capital investment in the Lubelskie voivodeship. The company was created as a result of transformation of the Machine Factory Sp. z o.o. in Janów Lubelski whose majority shares were acquired by the Finnish Group Komax Oy in August 2006. The Group opened its first foreign plant in the Lubelskie province, employing 450 people at the very start (now it employs 400 people). Since that time the company operates as a daughter-company. Since Komax Oy is an engineering industry system supplier, the Polish plant manufactures large welded structures and welded units made of sheet metals. The company manufactures machined components and sub-assemblies,

TABLE 31. Financial results of companies engaged in export (2011)

Name	Activity	Sales revenue (in thousand PLN)	Export revenue (in thousand PLN)
Zelmer S.A.	production of home appliances	674 987.0	160 000
Huta Stalowa Wola S.A.	production of construction machines with many types of spare parts and military equipment	449 427.8	no data
Philips Lighting Poland S.A. Oddział w Kętrzynie	production of lightening frames	4 248 673.0	no data

Source: Own compilation based on data obtained from companies

such as cabins, blades, frames, booms and other welded structures. Customers are mostly the manufacturers of construction machinery, agricultural and mining machinery, as well as buses and coaches, Polish and foreign. Over 70% of the production is exported to foreign markets, and the largest trade partners are companies from: United Kingdom, Belgium, France, Scandinavia, Germany, Ireland and the Netherlands. Komasa also manufactures components for Patria – a Finnish provider of defense, security and aviation technology solutions. Under the offset agreement with Patria, Komasa produced one of the most essential components of armored personnel carriers – Polish ‘Wolverine’.

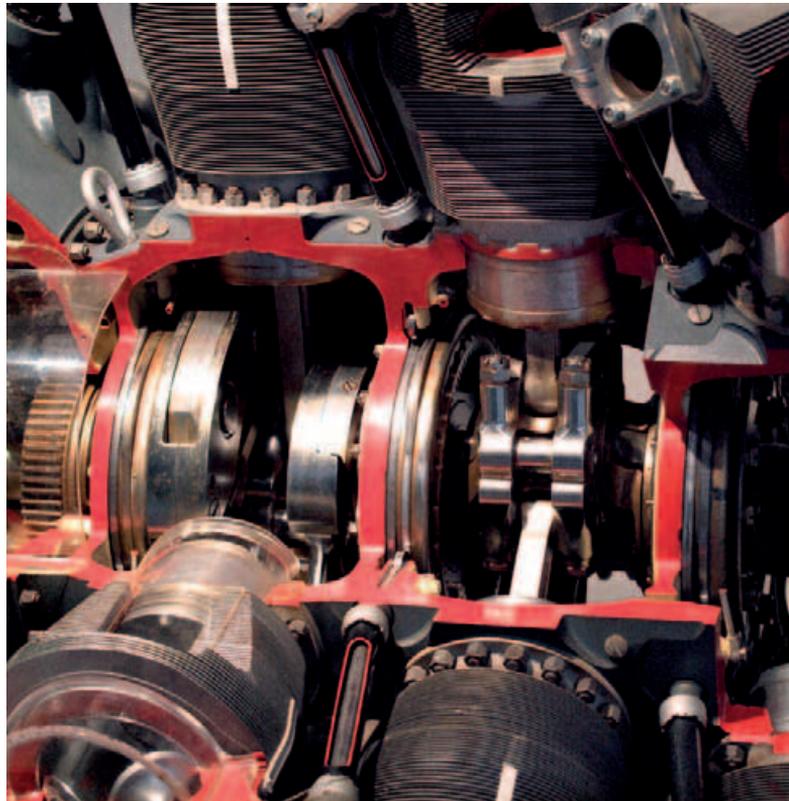
The annual turnover of the Finnish company, including its Polish branch, is approx. EUR 85 mln and constantly increasing. The success of Komasa Sp. z o.o. can be attributed to the fruitful exchange of experience and know-how between the mother company and its branch in Janów Lubelski. The company plans to increase its production volume, so it is willing to cooperate with local educational institutions to make sure that programmes and curricula will take into account the specific requirements of the company.

7.3.2. Caterpillar Poland Sp. z o.o.

Caterpillar Poland Sp. z o.o. has been operating in Janów Lubelski since 1997. It is part of Caterpillar Inc., American corporation with its headquarters in the USA. The factory manufactures heavy machine parts for the construction and mining industry, i.e. machine frames for heavy construction equipment and suspension components. It is also

produces diesel engines and industrial gas turbines. It co-operates with Caterpillar assembly plants in France, Belgium, Luxembourg, Great Britain and Germany.

The presence of a foreign investor brought about benefits for the local community, in particular in terms of employment opportunities. Caterpillar Poland Sp. z o.o. employs 250 people. Another benefit is that Caterpillar has brought jobs to local companies, especially steelwork, who have become its suppliers of materials.



7.4. Foreign investments

Eastern Poland is an attractive region for the foreign capital investment in the engineering industry. The presence of foreign investors who set up their businesses in the region is a good proof of that and also the best recommendation. Investors were drawn

here by a range of incentives, such as low labor costs, special economic zones, tax reliefs, competitive land prices and good grounds for close cooperation with companies already operating in the Macroregion. The biggest influx of foreign investment was observed in early 1990s. Most certainly, foreign capital in the form of direct foreign

TABLE 32. List of the largest foreign investors in the engineering sector in Eastern Poland

Investor	Country of origin	Location	Voivodeship	Type of activity
Lear Corporation USA	USA	Mielec	Podkarpackie	transport equipment manufacturing
Federal Mogul Holding Deutschland GmbH	Germany	Gorzyce	Podkarpackie	transport equipment manufacturing
M. Kutsch Projectgesellschaft GmbH	Germany	Mielec	Podkarpackie	transport equipment manufacturing
Goodrich Aerospace Canada	Canada	Krosno	Podkarpackie	transport equipment manufacturing
Valin Participations	France	Sędziszów Małopolski	Podkarpackie	transport equipment manufacturing
General Electric Corporation (GE)	USA	Rzeszów	Podkarpackie	electromechanical industry
Delphi Automotive Systems	USA	Krosno	Podkarpackie	transport equipment manufacturing
Siemens AG	Germany	Nowa Sarzyna	Podkarpackie	electromechanical industry
Nimbus	Netherlands	Białystok	Podlaskie	production of home appliance components
Nibe AB	Sweden	Białystok	Podlaskie	production of heating systems
Philips DAP	Netherlands	Białystok	Podlaskie	production of consumer electronic goods
AluTeam Polska Sp. z o.o.	Germany	Biała Podlaska	Lubelskie	production of trailers and bodies
Caterpillar Poland Sp. z o.o.	USA	Janów Lubelski	Lubelskie	production of machinery for construction and mining industry, diesel engines and industrial gas turbines
Kompas Sp. z o.o.	Finland	Janów Lubelski	Lubelskie	transport equipment manufacturing
Tsubaki-Hoover Polska Sp. z o.o.	Japan	Kraśnik	Lubelskie	production of bearings and other roller bearing elements for automotive industry
ABB	Switzerland	Elbląg	Świętokrzyskie	production of steam and gas turbines
Schwarte	Germany	Olsztyn	Świętokrzyskie	production of acidproof steel devices and tanks
NSK Europe Limited	Japan	Kielce	Świętokrzyskie	production of special bearings
Schmidt	Germany	Kielce	Świętokrzyskie	production of road maintenance equipment
MAN AG	Germany	Słarachowice	Świętokrzyskie	production of city buses
Stokota	Belgium	Kielce	Świętokrzyskie	production of tanks, cisterns industrial and metal containers

Source: Own compilation based on PAiiZ database

investment helped local companies to go through economic transformation and adjust to free-market conditions. Eventually, many of these companies have grown to become country's leading manufacturers.

7.5. Sector's growth potential

Eastern Poland is an attractive location for the engineering sector because of the eastern border vicinity and access to new markets. Eastern European countries, especially former Soviet Union countries, are large importers of the Polish engineering industry products. The import capacity of these countries (unsaturated markets, shortage of own funds and large development potential) has also been noticed by West European countries. In the coming years, the Eastern Poland region will become an extremely attractive location for production facilities, especially machinery manufacturers, wishing to target their output at the large Russian and Belarusian markets.

In the period 2005-2011 capital expenditure grew by 65%. Companies willing to locate their engineering facilities in the Macroregion will have good access to local



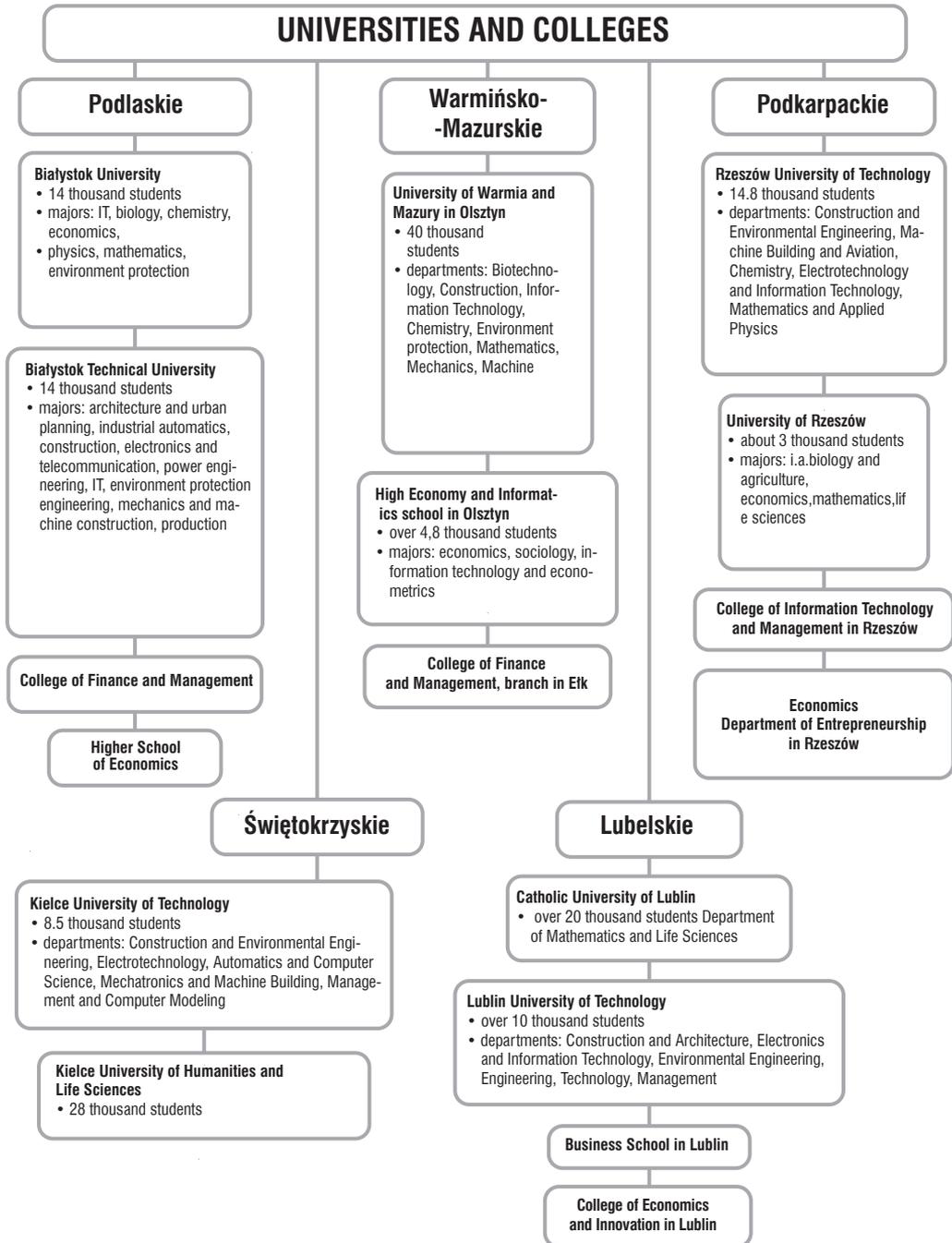
subcontractors, suppliers and back-up facilities. Moreover, foreign investors do not need to be concerned about the level of technological advancement of the Polish companies, as they often did in the past – to the contrary, they will be pleasantly surprised at how many companies have modernized and upgraded their facilities.

TABLE 33. Import and export of transport machinery and equipment in 2011 (selected countries)

Specification	Import		Eksport	
	in thousand PLN	in thousand EUR	in thousand PLN	in thousand EUR
General	197 952 575.2	48 428 589	217 211 874.5	531 488.3
Belarus	154 524.2	38 453	2 003 926.2	492 421
Lithuania	161 320.5	39 313	1 415 136.7	346 101
Latvia	102 729.8	25 248	868 939.4	211 269
Russia	1 338 368.2	328 379	9 776 951.2	2 391 524
Slovakia	3 377 106.4	822 698	3 211 869.5	780 034
Ukraine	579 237.6	141 504	3 805 646.9	926 239
Hungary	4 435 188.6	1 085 536	6 366 108.2	1 554 831
Estonia	138 630.6	33 708	652 021.1	159 547
Finland	1 595 637.4	388 338	1 108 187.4	271 259
Romania	1 930 894.3	474 439	660 433.0	546 900

Source: Own compilation based on the International Trade Statistical Yearbook 2010, Polish Central Statistical Office, Warsaw 2012, p. 75–78

CHART 9. Universities and Colleges in Eastern Poland providing engineering education



Source: Own study based on information from higher education institutions and the Central Statistical Office of Poland (GUS)

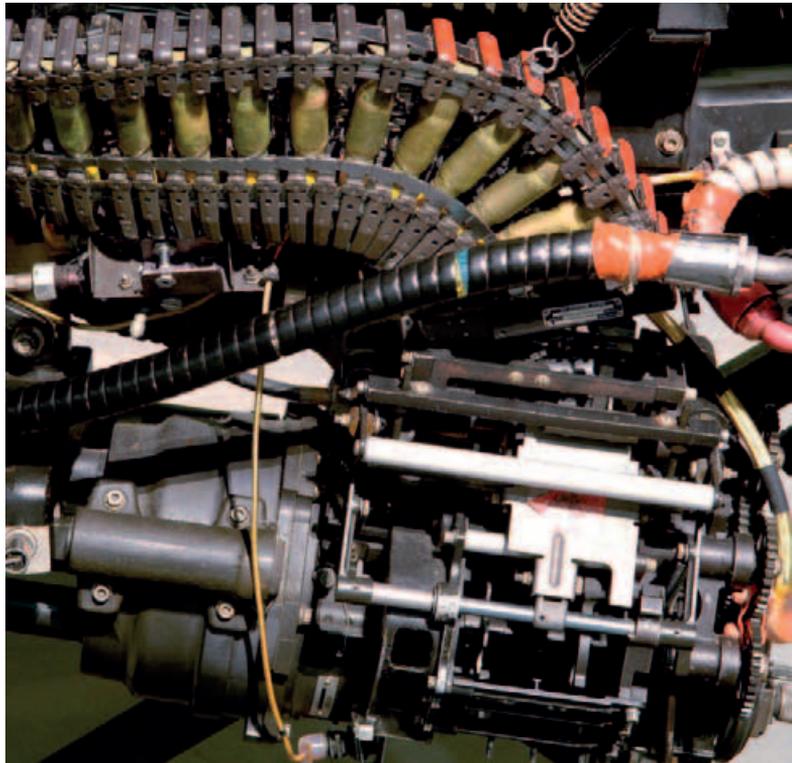
Another investment incentive is low labor cost, which in this region is much below the country's average. In 2011 the average gross remuneration in the engineering industry did not exceed PLN 3 500 in any of the Eastern Poland voivodeships. Moreover, access to qualified human resources is easy - there are plenty of graduates of technical universities and colleges located in the biggest cities of the Macroregion (Lublin, Białystok, Olsztyn and Rzeszów). These two facts – relatively cheap labor and qualified human resources do constitute a great business opportunity for companies in the engineering sector.

7.6. Development prospects

Development prospects of agricultural machinery manufacturers are related to the farmers' access to European Union funds. It is so as agricultural producers and farmers in most cases do not have sufficient funds to purchase machinery, so the demand for agricultural machines is shaped by availability of EU structural funds. In the next years the trend to expand farming areas and modernize farming facilities will be maintained, which in turn will positively affect the demand for agricultural machines.

One must also bear in mind that development prospects of the agricultural and road machinery sector also depend on how the road construction market is doing. The situation of the latter sub-sector is shaped by the demand for road construction and road repairs, and by efficient distribution of EU funds by authorized institutions.

Moreover, the development prospects also depend on the economic situation in other sectors. This stems from the fact that the engineering sector is a supplier of capital equipment used in many sectors of economy. Modernization and development of Polish economy is bound with increased



capital expenditure on machinery and technology. Market demand for machinery has already, stunningly, doubled and it is still growing due to further investment (in agriculture, road and transport, in particular).

It is also worth emphasizing that the expansion of the engineering sector corresponds to and reflects the growth of other sectors, therefore it might be expected that the sector will be booming in the coming years.

8. Clothing industry in Eastern Poland

Structure of clothing companies in Eastern Poland:

- clothing producers,
- sewing contractors for global brands
- fabric producers (cotton, linen, etc.)
- textile factories
- importers of semiproducts and finished goods
- retailers and wholesalers of various clothing brands
- franchise stores
- online shops.

Major clothing industry center:

- Białystok
- Rzeszów
- Lublin
- Olsztyn



Competitiveness of the Polish clothing businesses

After Poland's accession to the EU, Polish clothing enterprises increased exports of price-wise very competitive goods to Western Europe. In turn, the demanding and competitive EU markets inspired quality improvements, machinery upgrade and reengineering of production processes.

8.1. Size and structure

Eastern Poland hosts a big number of businesses operating in the clothing sector. All of these business enterprises are private, and mostly they are small or medium family businesses. Majority of them is located in the Lubelskie, Warmińsko-Mazurskie and Podlaskie Voivodeships, with many of the clothing companies grouped in the vicinity of Białystok, Lublin, Rzeszów and Olsztyn.

Clothing manufactured in the voivodeships of Eastern Poland is primarily an export commodity. Only a small part of total production is sold by the region's retailers. There are still relatively few manufacturers of own branded apparel although the clothing sector is among industries with the highest growth potential in Eastern Poland. The vast majority of enterprises act as sewing contractors for manufacturers outsourcing this task to them, mostly these are Western brand companies looking for quality. Eastern Poland is a region traditionally associated with clothing industry, where most of the positions are held by women and where average labor costs are relatively low compared to the rest of Poland.

Employees of the clothing industry are usually relatively young or young to mid-age, which reflects the age structure of the region. It is worth emphasizing that most of the managers and marketing specialists employed in the sector are young people, capable of facing new challenges and therefore, many a time, they launch start-up companies.

8.2. Description of the sector

The development of the clothing industry on the present territory of Macroregion Eastern Poland is the result of historical and geographical location. Geographical location between economically advanced countries of Western Europe and a very absorbent, vast market of Eastern Europe – in particular the Russian market – resulted in placing the cotton, wool and textile plants in this region. The facilities and long tradition of textile industry provided a foundation for the private entrepreneurs of today.

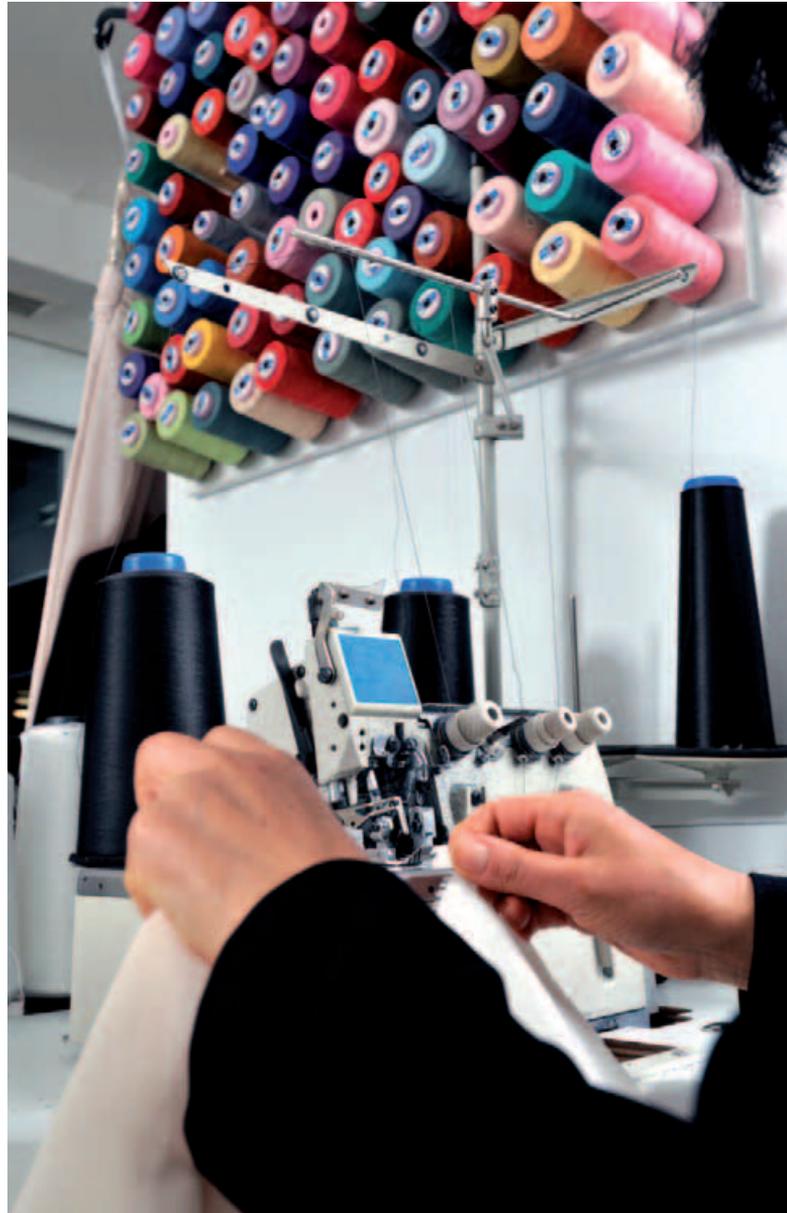
8.3. Major centers of the sector development

Most of the clothing industry centers are located in the Lubelskie, and Podlaskie Voivodeships. The specialization index is of the highest value for the following poviats: Zambrowski (the Podlaskie Voivodeship), Lidzbarski (the Warmińsko-Mazurskie Voivodeship) and Jarosławski (the Podkarpackie Voivodeship). Białystok and its surroundings, as well as Zambrów, are major textile industry centers. In Łomża, on the other hand, the predominant production is cotton fabrics.

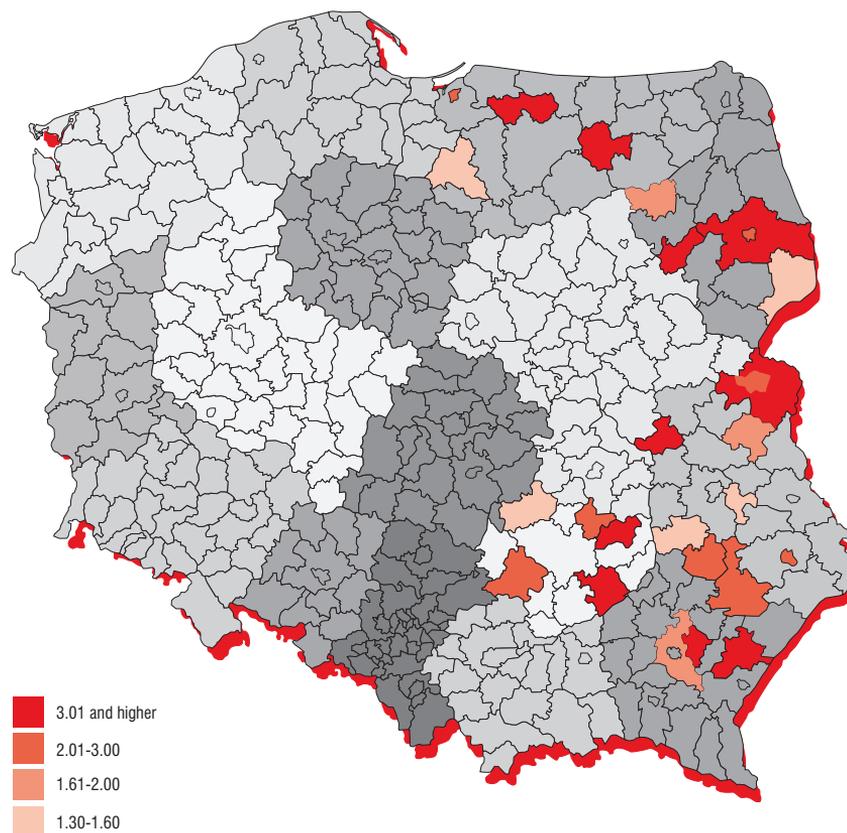
8.4. Success story

8.4.1. A company creating its own brand – DeFacto, Bielsk Podlaski

One of the most successful clothing companies in the region is DeFacto with its registered office in Bielsk Podlaski. Set up in 1995, it manufactures design apparel for girls and young women. The products by DeFacto are distributed all around the country and the brand has been very successful.



MAP 7. Concentration of clothing industry enterprises in Eastern Poland in relation to poviats (Polish Business Activity Codes 17, 18)



Source: Report on the development of cluster structures in Eastern Poland, ed. Bogusław Plawgo – report commissioned by the Ministry of Regional Development

8.4.2. Planeta Mody, Olsztyn

Another noteworthy clothing company is Planeta Mody from Olsztyn, which has been manufacturing and selling fashionable and affordable clothing under the brands Yups! and Świat Bawełny (Cotton World) since 1995. Planeta Mody is rapidly growing and every year gaining a firmer position in the marketplace. There are over 100 shops operating throughout the country under the brands of Yups! and Świat Bawełny. The

company has also launched an online shop. It is estimated that the clothing industry sells online about 25% of its production and most of the traders expect sales growth in the near future due to e-commerce.

8.4.4. Nipplex, Łuków

Nipplex, an underwear manufacturer, based in Łuków, the Lubelskie Voivodeship, is one of the leading manufacturers of corsetry in Poland and has been present on the market since 1994. The enterprise specializes in ladies lingerie.

8.5. Clusters, supporting organizations and associations

8.5.1. Podlaski Cluster of Underwear and Lingerie

In order to improve innovation and competitiveness clothing enterprises from Eastern Poland formed a cluster (Podlaski Cluster of Underwear and Lingerie) which was established in 2008 by seven manufacturers and one distributing company. At the moment, there are 20 companies associated in the Cluster, manufacturers of underwear and lingerie for the domestic and foreign markets. Such known brands as: Gaia, Kinga, Kostar, Ava, Axami, Gorteks, Mat are manufactured by the Cluster members. An online shop offering underwear by Kontri and the newly formed Gracya has also been launched.

According to the Cluster's articles of association, the Cluster members will, in near future, implement joint projects related to i.e. building of a common brand, new manufacturing undertakings and sector market research with the assistance of local universities. The main goal of the Cluster defined in the articles of association is to support local entrepreneurs operating in the underwear making and selling sector. This support includes assistance streamlining processes, marketing guidance and general support in making good use of business opportunities. The Podlaski Cluster is engaged in developing a common brand in order to enhance its market chances and recognizably, as well as perfect the Cluster image. It also plans to establish a retail chain, own or franchised. Within the association there is also a raw material exchange which purpose is to facilitate resource sharing. There is also an idea to establish the Cluster Scheme of Production Capacity Sharing.

8.6. Sector's growth potential

There is a great potential for the development of clothing industry in Eastern Poland, confirmed by i.e.

- **Very attractive location.** Since Poland's accession to the European Union, part of the country's eastern border has become the EU's external border. This fact creates new opportunities for the inhabitants and companies located in the border zone and accelerates cross-border cooperation. Poland neighbors on the following countries: Russia (212 km of border), Lithuania (104 km of border), Belarus (418 km of border), Ukraine (535 km of border), Slovakia (134 km of border). Since December 2007, the borders with Lithuania and Slovakia have become internal borders of the Schengen zone.
- **Smooth border crossing.** There are 38 border crossings in Eastern Poland, that is: 16 road border crossings (Gronowo, Bezledy, Goldap, Kuźnica, Bobrowniki, Białowieża, Połowce, Kukuryki, Terespol, Sławatycze, Dorohusk, Zosin, Hrebenne, Korczowa, Medyka, Krościenko) and 14 railway crossings (Braniewo, Głomno, Skandawa, Kuźnica, Zubki, Siemianówka, Czeremcha, Terespol, Dorohusk, Hrubieszów, Hrebenne, Werchrata,



Joint promotion of the Macroregion

The underwear making companies associated in the cluster have been leaders among Polish manufacturers for a number of years. The production volume of the Podlaski Cluster of Underwear expressed in terms of pieces produced is 3 million per annum, 40% of which is exported. The Podlaski Cluster of Underwear has been granted PLN 4.5 million worth subsidy for R&D projects. The Cluster is the first initiative of this kind in Poland and one of very few in the world.

Przemysł, Krościenko). A large number of border crossings and their good traffic handling capacity enables access to the huge markets of Lithuania, Belarus, Ukraine and Russia.

- **Education.** Currently there are 78 clothing technical secondary schools all over the country of which 32 are located in Eastern Poland, distributed as follows: 4 are located in the Podlaskie Voivodeship, 5 in the Warmińsko-Mazurskie Voivodeship, 13 in the Lubelskie Voivodeship, 4 in the Świętokrzyskie Voivodeship and 6 in the Podkarpackie Voivodeship. Due to i.e. historical meaning of the clothing industry to the Macroregion, the schools employ highly qualified teaching staff and have suitable working environment, including good technical facilities. This fact ensures access to qualified, well-trained and multi-skilled staff, which are readily hired by the manufacturing industry centers in the region.
- **Human Resources.** It is one of the obvious assets of Eastern Poland, with low labor cost being an additional competitive advantage. Average gross salary varies from PLN 1 500 to PLN 1 800 a month, and the skills demonstrated by employees are definitely worth this remuneration, if not more.
- **Cooperation of Euroregions.** At present, Eastern Poland voivodeships cooperate closely with many cross-border regions: Bug, Carpathian Euroregion, Niemen, Białowieski Primeval Forest and the Baltic Sea Euroregion, as well as with other cross-border associations.

8.7. Development prospects

- Formation of clusters;
- Transfer of technology to clothing manufacturers;
- Use of relatively cheap labor force;
- Large and qualified workforce;
- Competent technical supervision staff and gifted designers;
- Strong and stable relations with foreign investors;
- Location in the border zone;
- Low investment cost;
- Clothing industry tradition;
- Consumer market with great growth potential, especially exports to the neighboring countries;
- Special economic zones as an incentive for investors.

9. Business tourism sector in Eastern Poland

According to the Tourism Institute estimates, nearly 60.7 mln foreigners came to Poland in the course of the entire year of 2011, which constitutes an increase of 4% in relation to 2010. There were nearly 13.35 mln tourists among visitors to Poland in 2011 (7% more than in 2010). The number of foreigners visiting Poland has risen in the recent years. In 2009 Poland received only 54 mln visiting foreigners, and in 2010 – over 58 mln foreigners. Also the number of tourists arriving in Poland in the course of 2009-2011 grew. While in 2009 their number reached 11.9 mln, in 2010 – it was already 12.5 mln. Meanwhile, the share of Poles partaking in domestic tourist travel has dropped. During the first three quarters of 2011, Poles took part in 24.1 mln tourist journeys, that is 10% less than in 2010. They were predominantly short-term trips (60%), rather than long-term ones (40%).

9.1. Size and structure of the sector

The main purpose of visits paid by foreigners to Poland is business tourism. In 2011 this purpose was declared by 30% of all foreigners visiting Poland, most frequently by the Russians, Belarusians and Ukrainians (36%), businessmen from the old and new EU Member States (32% and 30% respectively). In case of German businessmen, business was the purpose to visit Poland in 21% of cases. However, the tourist appeal of Poland has been confirmed by a relatively high percentage of foreigners visiting Poland for tourist purposes only. As a matter of fact this purpose is indicated by every fourth foreigner, and by every third citizen of Germany and old EU Member States and overseas



TABLE 34. Domestic trips made by Polish people (in millions)

	Number of trips		
	2009	2010	2011
long trips	13.3	13.7	12.5
short trips	17.5	20.2	17.1
total domestic trips	30.8	33.9	29.6

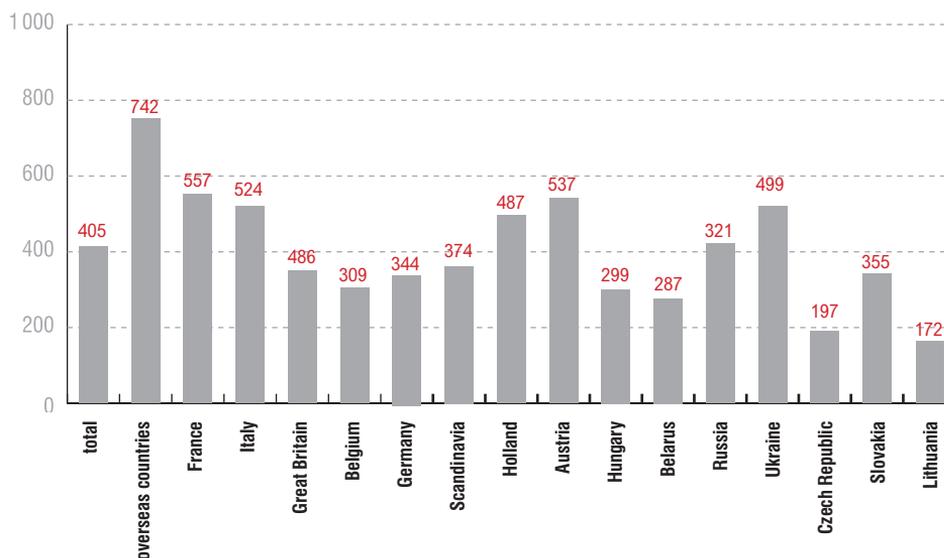
Source: Own compilation based on data from the Institute of Tourism 2009-2011

TABLE 35. Main purposes of visits (in %)

	Total	Germany	Old EU states (excl. Germany)	New EU countries	Russia, Belarus, Ukraine	Main overseas countries
Tourist	26	31	25	24	9	38
Business	26	21	28	39	29	16
Visiting	19	22	23	11	14	32
Transit	7	3	7	15	5	5
Shopping	11	5	1	7	33	1
Other	14	18	16	4	10	8

Source: Own compilation based on data from the Institute of Tourism 2011

CHART 10. Average tourist expenditure per 1 person in 1Q-3Q 2011 in USD (by countries)



Source: Own compilation based on data from the Institute of Tourism 2009-2011

countries. The fact that shopping was indicated as an important purpose of visiting Poland only by the citizens of Russia, Belarus and Ukraine (20%) is also worth noting.

An average foreign tourist spent in Poland USD 405 per person, with the highest spending observed in case of overseas tourists (Australia, Japan, Canada, South Korea and USA) – USD 742 and the lowest in case of Latvian tourists (USD 172).

Revenue generated by foreign visits in 2010 was approx. USD 10 billion and decreased comparing to the profitable years 2007-2008, however remained higher comparing to 2004-2006. Therefore, despite the less profitable 2009, with UEFA European Football Championship EURO 2012, tourist traffic was positively affected which is reflected by a significantly higher revenue.

9.2. Description of the tourism sector

In 2011 approx. **240 thousand people were employed** in the tourism and hospitality sector in Poland, which makes this sector very important to the Po-lish economy. In Eastern Poland, this sector employs more than **34 thousand people** (14.1% of the country's total). It is worth emphasizing that the number of people employed in tourism industry in Eastern Poland is rapidly growing. In 2000, this number for Eastern Poland, covering five voivodeships, was 31.2 thousand people. This means that within 10 years the number of jobs in the tourism sector in Eastern Poland increased by approx. 9%. The greatest number of employees is recorded in the Podkarpackie Voivodeship, whereas the lowest in the Podlaskie Voivodeship.

To obtain a complete image of the tourism industry in Poland one should include here the personnel of travel agencies in the number of 3 214 operating as officially registered businesses at the end of 2011.

Hotels in Poland

It is worth noticing that number of hotels in Poland has been continually growing by 13.7 % in the period 2009-2011, which is the result of investment in the hotel industry on the one hand, and on the other, of a more reliable hotel classification system and improvement in hotel standards.



TABLE 36. Travel agencies in Poland by voivodeships in the years 2000–2011

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Poland	2 792	3 237	3 650	3 504	2 839	2 627	2 689	2 839	2 987	2 956	3 115	3 241
Lubelskie	93	100	100	92	73	67	69	76	79	84	87	97
Podkarpackie	101	113	118	118	98	94	96	101	101	101	91	101
Podlaskie	89	100	107	99	90	83	85	86	86	79	65	72
Świętokrzyskie	61	64	65	58	57	50	49	54	53	53	52	60
Warmińsko-Mazurskie	88	104	120	124	98	100	102	106	103	97	84	99

Source: Tourism Department, the Central Register of Tour Operators and Tourism Retailers 2000–2011

TABLE 37. Tourism accommodation resources in 2011 by voivodeships

	Number of facilities	Number of all-year facilities	Number of rooms in hotels	Number of beds in facilities	Number of all-year beds in facilities
Poland	6 992	4 989	109 534	606 501	393 920
Lubelskie	285	171	3 132	18 909	11 306
Podkarpackie	369	284	3 639	22 238	17 401
Podlaskie	168	115	1 937	11 424	6 754
Świętokrzyskie	143	120	2 790	10 937	8 664
Warmińsko-Mazurskie	390	215	5 850	38 366	19 508

Source: Own compilation based on data from the Central Statistical Office and the Institute of Tourism, 2011

9.3. Sector's growth potential

Tourism accommodation base of Eastern Poland constitutes approx 20% of the country's base. It is thus only natural that, considering the tourist values of the region, large cities becoming business centers and the region's favorable location as a transit point between Western and Eastern Europe, this part of Poland is attractive in terms of investment in hotel industry. In addition, the region's highly attractive and unique natural environment is a great opportunity for Eastern Poland to develop eco-tourism and agri-tourism, which may not translate into bigger investment in hotels, but still may significantly stimulate private tourism accommodation base, e.g. motels, guest-houses etc.

The best developed accommodation facilities (collective tourist accommodation establishments) can be found in the Warmińsko-Mazurskie Voivodeship, although in part these facilities are seasonal. A similar situation is being observed in the other Voivodeships of Eastern Poland, excluding the Świętokrzyskie Voivodeship, in which only 15.5% of facilities are of seasonal nature (in the Warmińsko-Mazurskie – 46.7%, Lubelskie – 40.7%, Podlaskie – 35.6% and Podkarpackie – 24.5%). Apart from this tourist accommodation facilities in Eastern Poland, there are private accommo-

dation providers with 5.1 thousand facilities located in the region (B&Bs, agricultural home-stays), of which 3.4 thousand are all-year facilities. During three quarters of 2011, accommodation facilities were used by 13 283.3 thou. Polish residents (4.4% more than in the same period of 2010) and by 3 483.4 thou. foreigners (an increase by 6.1%).

9.4. Development prospects

- Economic development of Eastern Poland and bigger involvement of companies operating in the region in international economic relations, along with increase in foreign investment in the region will translate into increased tourism traffic. As a result, this may stimulate and inspire improvements in the tourism sector.
- Another additional element favorable for tourism in Eastern Poland is growing environmental awareness of both foreigners and the Polish society, promoting contact with nature. Eastern Poland is one of the most unspoilt and pollution-free region in the entire country.

10. Renewable energy sources sector in Eastern Poland

Each of the five Eastern Poland Voivodeships has a various potential of individual technologies of generating renewable energy from different sources. The Podlaskie Voivodeship features the greatest potential in this respect, while the Warmińsko-Mazurskie and the Lubelskie Voivodeships have a lower potential and in relation to other Eastern Poland Voivodeships. The Świętokrzyskie and Podkarpackie Voivodeships have the lowest potential in this area.

However, despite relatively the highest attractiveness of the Podlaskie Voivodeship in renewable energy production, the greatest volume of renewable energy is produced in the Podkarpackie Voivodeship i.e. the least attractive for this activity.

10.1. Size and structure of the sector

Participation of the individual Voivodeships in the production of renewable energy in Poland is low. The greatest contribution to the renewable energy production in Poland was recorded in the Podkarpackie Voivodeship (12.3%), whereas the lowest – in the Lubelskie Voivodeship (0.3%). The remain-



ing voivodeships have only slightly higher share in the renewable energy production in Poland; the Świętokrzyskie Voivodeship (1%), the Podlaskie Voivodeship (2.4%) and the Warmińsko-Mazurskie (3.3%).

However, when considering the share of Eastern Poland voivodeships in production of certain types of renewable energy, in

TABLE 38. Renewable energy potential in Eastern Poland

Voivodeship	Attractiveness assessment	Technologies of renewable energy production of the greatest potential
Lubelskie	medium	solar energy, wind energy, biogas
Podkarpackie	low	wind energy, solid biomass
Podlaskie	high	wind energy, solid biomass, biogas
Świętokrzyskie	low	solar energy
Warmińsko-Mazurskie	medium	wind energy, solid biomass

Source: Own compilation on the basis of the Institute for Renewable Energy (IRE)

TABLE 39. Share of the energy from renewable sources in the overall primary energy generated in the course of 2006-2011

	2006	2007	2008	2009	2010	2011
Primary energy obtained in total [TJ]	3 253 082	3 040 160	2 985 356	2 817 089	2 824 028	2 609 474
Energy obtained from renewable sources [TJ]	199 565	203 141	226 788	253 352	287 953	325 234
Share of energy from renewable sources in total primary energy	6.1%	6.7%	7.6%	9.0%	10.2	11.2%

Source: Energy from renewable sources in 2011, Central Statistical Office

some cases the share of the Voivodeships of Eastern Poland region is significant in the scale of the entire country. This refers in particular to the Podkarpackie Voivodeship, share of which in the water energy production amounts to 18% in the national scale and to the Warmińsko-Mazurskie and Podlaskie Voivodeships, whose share in the domestic wind energy production amounts to 4% and 3.5%, respectively.

Production infrastructure in Eastern Poland in the renewable energy sector is composed

of 295 power plants – 32 biogas, 7 biomass, 78 wind and 171 water power plants. In total, Eastern Poland produces 669.826 MW of renewable energy, provided that the greatest volume – approximately 381.526 MW – is produced from wind (57% of renewable energy produced in Eastern Poland) and water energy (229.527 MW, 34%). Production of renewable energy from the remaining sources in Eastern Poland amounts to 58 773 MW.

TABLE 40. Power plants in Eastern Poland according to renewable energy source

Type	Subtype	Lubelskie		Podkarpackie		Podlaskie		Świętokrzyskie		Warmińsko-Mazurskie	
		1	2	1	2	1	2	1	2	1	2
Biogas	Biogas from sewage	4	1.310	7	2.467	3	2.071	2	0.980	5	1.912
	landfill biogas from waste treatment plant	1	0.500	3	1.511	1	0.700	1	0.360	2	1.142
	from agricultural biogas	2	2.1999					1	0.800	1	1.200
Biomass	forest, agricultural and horticultural waste	-	-	1	0.580	-	-	1	1.900	1	0.220
	mixed biomass	-	-	-	-	1	55.000	1	10.800	-	-
	Biomass from industrial and wood waste, cellulose and paper waste	1	2.600	-	-	-	-	-	-	1	0.500
Wind	Land	5	2.150	21	55.395	19	119.100	12	4.406	21	200.475
	run-of-the-river to 0.3 MW	21	1.135	10	0.726	12	0.809	36	1.740	75	5.744
Water	run-of-the-river to 1 MW	1	0.370	2	1.484	-	-	1	0.450	8	4.369
	run-of-the-river to 5 MW	-	-	-	-	-	-	-	-	3	5.800
	run-of-the-river to 10 MW	-	-	1	8.300	-	-	-	-	-	-
	pumped-storage	-	-	1	198.600	-	-	-	-	-	-
Solar radiation:	producing from solar radiation	1	0.021	-	-	-	-	-	-	-	-
Co-incineration technology:	realizing technology of co-incineration (fossil fuels and biomass)	2	0.000	2	0.000	-	-	1	0.000	-	-

Source: Energy Regulatory Office, January 2013

10.2. The largest foreign enterprises and investors

A considerable percentage of the enterprises operating in the renewable energy sector comprise foreign enterprises. However, a majority of them are focused on wind energy and to a much lesser extent on biomass energy. Their share in the production of wind power is the largest (both in case of direct investors and foreign investment funds focused on development of renewable energy, such as: Spanish Taiga Mistral, British Continental Wind Partners, Eco-Wind Construction from Luxembourg and CEZ Group operating across Central Europe). Foreign capital companies are most willing to invest in Poland, where the price per certificate of generation of 1MWh of renewable energy is one of the highest in Europe. According to the Information 2/2012 of the President of the Energy Regulatory Office of 8 February 2011, a compensatory payment for the energy generated from renewable sources after its annual valorization in 2012 amounts

to PLN 286.74. By way of a summary, it needs to be emphasised that the price for one unit of electrical energy generated from RES, also from wind, is approx. 450-470 PLN/MWh.

The largest wind power plant in Poland with a total capacity of 120 MW was launched in Margonin in 2010. The investor was EDP Renevables Polska. The following should be listed among the largest foreign investors: Danish Greentech Energy Systems, Polen Invest (Poldanor – biogas power plants) and LM Glasfiber (turbines manufacturer), Spanish companies – Acciona, Fersa, Green Source (biofuels), Prio (Martifer Group – biofuels) and Iberdrola, E. ON and Prokon from Germany, Green Baer from Luxembourg, Grupo Meneses from Portugal, International Wind Power from Austria, Invenergy from the USA, Mitsui (J-Power) from Japan, KD E Energy from Holland and among the Polish enterprises - Avallon and EnergoPartners from Poznań, Baltic Wind, PGE Renewable Energy, Renovatio Power Polska from Warsaw, Tauron Polish Energy from Katowice, Domrel from Szczecin, Energa Invest and Eurowind Services from Gdańsk,

TABLE 41. The largest enterprises operating in the renewable energy sector

Enterprise	Scope of activity	Investments	Headquarters
Electrabel Zielona Energia Sp. z o.o.	biomass boilers biomass power plants	power plant in Połaniec	Poland
EPA Sp. z o.o.	wind power industry	Zagórze Wind Farm	Poland
RP Global Poland Sp. z o.o.	designs of water and wind power plants	wind farm in Pomorze	Austria-Spain
RWE Renewables Polska Sp. z o.o.	designs, construction and operation of wind farms	Suwałki Wind Park	Germany-Poland
Sevicon Sp. z o.o.	preparation, designing and supervision over the wind farms construction	for the most Northern Poland	Germany-Poland
Vatenfall	operation of wind turbines	owner of Zagórze wind farm	Sweden
Vortex Polska Sp z o.o.	planning, financing, construction and managing wind parks	current development of 5 wind farms (total power of 180 MW)	Germany

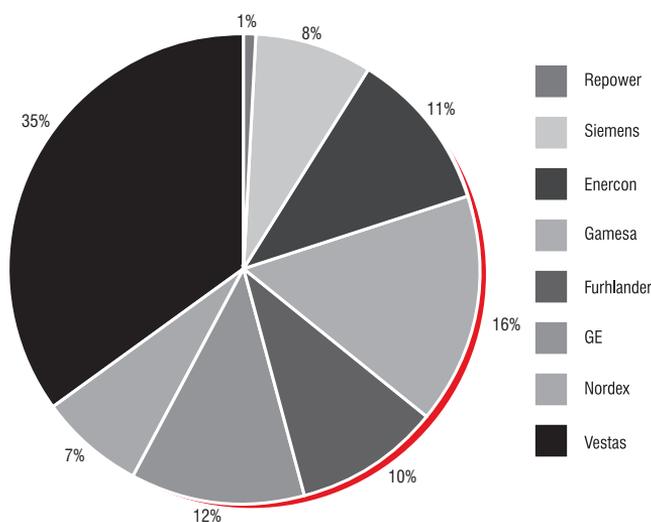
Source: Own study on the basis of the companies' data

3E/ New Energy Partner Group from Gdynia. Involvement of the recognized foreign enterprises in wind energy production in Poland also generates investments in business-related sectors. The development of wind

farms resulted in an inflow of enterprises manufacturing, inter alia, wind turbines.

10.3. Supporting clusters, organizations and associations

CHART 11. Market shares of leading wind farm manufacturers and suppliers in Poland (in %)



Source: Renewable Energy Institute, 2011

There are 59 clusters operating in the area of Eastern Poland (as already established clusters and cluster initiatives). These are related to the leading economic sector in Eastern Poland. The greatest number (21) is located in the Lubelskie Voivodeship.

6 clusters involved in research and production of renewable energy sources operate in the Eastern Poland region.

10.3.1. Lublin Eco-energy Cluster

The cluster was established on the initiative of the Foundation for the Development of the Lubelskie Voivodeship. The mission of the cluster is to transform the Lubelskie Region into a European leader in the production of renewable energy. The mission of the cluster is to support all activities related to sustainable use of renewable energy sources on the basis of the Lubelskie Voivodeship development by means of drawing up and implementing technological, manufacturing and process innovation and propagation of renewable energy sources in the Macroregion.

The cluster partners include 31 entrepreneurs, of which 18 are micro-enterprises, 3 – small entrepreneurs, 6 – medium and 4 – large enterprises as well as foundations, 4 territorial self-government units, state unit with legal entity and 5 scientific and research units.

10.3.2. Małopolska and Podkarpacie Clean Energy Cluster

In September, 2006 the agreement on establishing the Małopolska and Podkarpacie Clean Energy Cluster was concluded. The agreement was signed by the representatives

TABLE 42. Clusters and cluster initiatives in Eastern Poland

	Operating clusters	Cluster initiatives
Lubelskie	6	15
Podkarpackie	4	8
Podlaskie	4	4
Świętokrzyskie	6	5
Warmińsko-Mazurskie	4	3

Source: Own compilation on the basis of data obtained from www.paiz.gov.pl

of different institutions and organizations, chiefly from the Małopolskie and Podkarpackie Voivodeships as well as from Śląskie Voivodeship. The Marshalls of the Podkarpackie and Małopolskie Voivodeships, AGH University of Science and Technology, Jagiellonian University, Krakow University of Technology, Krakow University of Agriculture and Rzeszów University of Technology, State High Vocational School in Krosno, State High Vocational School in Tarnów, Mineral and Energy Economy Research Institute of the Polish Academy of Sciences in Krakow, Institute of Nuclear Physics of the Polish Academy of Science, Gas and Oil Institute in Krakow, Podkarpackie Energy Agency in Rzeszów, Małopolska Energy and Environment Agency Sp. z o.o. in Krakow, Polish Association of Hydrogen and Fuel Cells in Krakow, Voivodeship Environmental Protection and Water Management Fund in Krakow, Rzeszow Power Plant in S.A. in Rzeszów, and Krakow Heat and Power Plant S.A. in Krakow, State Municipal and Housing Management Heat Plant Nowa Dęba, Power Factors Institute Sp. z o.o. in Nowa Dęba, Stalowa Wola Power Plant S.A. in Stalowa Wola, Polish Oil and Gas Company S.A. in Warsaw – division in Sanok, Southern Power Consortium S.A. in Oświęcim, Power – Engineering Dwory Sp. z o.o. in Oświęcim and Association of Chemical Industry Engineers and Technicians, division in Oświęcim, that is the representatives of the scientific and research institutes, agencies, funds and regional associations involved in energy and the enterprises acquiring and producing energy carriers.

The main objective of the cluster operation is to improve the production of clean energy in the region to protect natural environment and focus on scientific research in this area and improving energy security of the country. The cluster research programme assumes delivery of, inter alia, such tasks as improved production of energy from renewable sources (water, wind, solar,



biomass and geothermal energy) and the use of waste to generate energy, local use of natural gas and oil, use of methane, hard coal, carbon dioxide sequestration in the exploited geological structures of hydro-carbon deposits, use of compressed natural gas for municipal transport vehicles, use of hydrogen, zero-emission production of liquid fuels, coal and nuclear power synergy, energy saving in the power, construction, transport industry and households.

10.3.3. Świętokrzyska Biomass

The cluster of biomass manufacturers for the purpose of power industry is located in the Świętokrzyskie Voivodeship. The aim of the cluster is to implement a heating energy production system based on renewable energy sources. The main cluster activities include analyses of economic, financial and technical aspects of biomass use, development of system for logistics of acquiring, producing, transporting and processing of biomass, implementing of the system based on renewable energy sources use in the

Świętokrzyskie Voivodeship and implementing the heat and power production system in the Świętokrzyskie Voivodeship.

Cluster operation is to contribute to the use of wood biomass to produce heat and power in the Świętokrzyskie region, stimulating business activity in particular in the Poviat and Communes of large area of arable lands, fallows, forested areas and wood waste.

10.3.4. Baltic Eco-Energy Cluster

The Baltic Eco-Energy Cluster (BEEC) is a joint initiative of the PAS Institute of Fluid-Flow Machinery, University of Warmia and Mazury, Gdansk University of Technology, Koszalin University of Technology, Marshals and Self-Governments of the Pomorskie and Warmińsko-Mazurskie Voivodeships, as well as the economic units and associations with their seats in those Voivodeships. Geographically, BEEC's activity covers the area of Northern Poland from Koszalin through the Pomorskie Voivodeship to eastern confines of the Warmińsko-Mazurskie Voivodeship. The strategic goal of the BEEC is to coordinate the delivery of the Regional Energy Strategies (RES) in the scope of widely understood eco-energy, mostly by means of improving the effectiveness of absorption of regional and central EU funds in the Macroregion and facilitating contacts within the international cooperation at the EU level. One of the most important BEEC objectives is to implement the concept of widely understood Distributed Cogeneration i.e. simultaneous production of heat and power at small and medium scale on the basis of renewable energy sources, in particular biomass, as well as water, solar and wind energy. Actions within the BEEC aim at: reducing share of fossil fuels as primary energy sources, accompanied by significant increase of biofuels use and other renewable energy sources use, stimulating development of the new technologies in the area of green technolo-

gies and educating the experts and specialists, supporting production of equipment for bio-energy industry and propagation of energy-saving technologies. The BEEC technologies are reflected by, among others, the establishment of Agro-Energy Complexes and small and medium cogeneration power plants.

The cluster is currently composed of the representatives of self-governments of: Kwidzyń, Lidzbark Warmiński, Nowe Miasto Lubawskie, Słupsk, Gniewino, Gołdap, Górowo Iławeckie, Orneta, Kisielice, Kępice, Pomorskie Association of Rural Communes, scientific institutions, such as Fluid-Flow Machinery, University of Warmia and Mazury, Gdansk University of Technology, Koszalin University of Technology, Maritime Institute in Gdańsk, Institute of Energy and Institute of Electrical Engineering and the representatives of industry – group of 56 enterprises.

10.3.5. Warmia and Mazury Cluster “Warmer Together”

The cluster was established by the Municipal Heating Power Company in Olsztyn in 2007. The key objective for its establishment was to stimulate cooperation and industrial integration by means of providing new opportunities in the area of innovation, new technologies, access to knowledge, and better support by self-governmental units which typically own heating power companies.

The “Warmer Together” cluster will aim at the development of the heating power sector by means of improving competitiveness of the heating power enterprises, diversification of their activity, contributing to perception of the region as an important centre of production and distribution of heat, which is both environmentally-friendly and increasingly using the renewable energy sources. It includes twelve heating power enterprises from the region, ten self-governmental units (Marshall Office, city offices in Olsztyn, Barczew, Bartoszyce, Działdowo, Iława, Korsze,

Morąg, Olsztyn and Ostróda) and two institutions: Warmia and Mazury University and the Warmia and Mazury Regional Development Agency. In 2008 the cluster was joined by three new members – ZEC Dobre Miasto, PEC Termex from Szczytno and PEC Giżycko.

10.3.6. Kętrzyn Renewable Energy Cluster

Kętrzyn Renewable Energy Cluster initiative was established in May 2007 by signing the agreement of the following signatories: representatives of the Warmia and Mazury University (Renewable Energy Research Centre), Marshall Office of the Warmińsko-Mazurskie Voivodeship, Kętrzyn Municipality and the Akwawit – Brasco company.

These entities expressed their will to cooperate in establishing Kętrzyn Renewable Energy Cluster. This initiative, currently under development, is to be located at the area of the former sugar refinery in Kętrzyn. The fundamental objective of its operation is to produce the so-called clean energy, including the production of biofuels and bio-components. Municipal waste, manure and cereals will be among the processed raw materials. The role of the Warmia and Mazury University will be to develop the new technologies and supervising their implementation and supporting the establishment of research and development facilities.

It is worth emphasising that the Warmia and Mazury University is one of the most active entities in the field of renewable energy sources. This is the place where, inter alia, Renewable Energy Research Centre operates in Olsztyn, established in November, 2006. The mission of the Centre is to integrate the activities of the scientific environment, self-governments and businesses in developing and implementing the new technologies for renewable energy generation. The objective of the Centre activity is to conduct scientific research on new technologies of renewable energy and the development of functional power installa-



tions acting as a research workshop, a source of acquiring and distributing power and a base for educational, promotional and promotional activity. The Centre development strategy assumes the establishment of a knowledge-based region of innovative and environmentally-friendly renewable energy technologies, in which the results of scientific research will be used in practice and converted into commercial success of the involved business entities.

Since 2008 the Centre has been carrying out a research project called: “Model agro-energy complexes as an example of Distributed Cogeneration based on local and renewable energy sources”, whose key aim is to develop new technologies for acquiring and processing bioenergy carriers and new technologies for conversion of this energy into usable heat and power. These



technologies constitute the basis for creating energy cells based on local resources of renewable energy sources, including mostly biomass and they contribute to the development of agro-energy complexes. These complexes constitute the most effective form of delivery of the so-called distributed co-generation at a small scale.

10.4. Development prospects

- According to the report – Planned investments in renewable energy in 2009–2022 – approx. 80% of the enterprises participating in the research, declared that within the next three years they intend to invest into at least one of the renewable energy sectors.
- Future investors pay the greatest attention to wind energy. 89.5% of those surveyed declared their being active in the sector. Globally and in particular in the European Union, the most dynamically developing renewable energy source is the wind energy sector, and the Polish market of wind energy offers the greatest potential in the entire Central and Eastern Europe. The surveyed entities most frequently declared that they are interested in the development of wind farms in the near future (of an average capacity of 360 MW). For the biomass sector the most frequently declared investments are as follows: construction of heating plants or heat and power plants (average capacity of 5 MW). The enterprises interested in investments related to biogas intend to build biogas plants (average capacity of 7 MW) or purchase design/shares from a developer.
- In respect of future investments, one also needs to mention water energy alongside the above-mentioned three types of renewable energy. In Poland, the largest source of renewable energy is large and small water energy industry (hydroelectricity). This sector will be developing chiefly on the basis of the modernization of the old power plants of high capacity as well as small water power plants of the capacity up to 5 MW.
- The northern part of Poland (the Pomorskie, Zachodniopomorskie, Kujawsko-Pomorskie and Warmińsko-Mazurskie Voivodeships) was the area indicated most frequently for the task of delivering planned investments. These are usually the regions providing the most favourable conditions to produce wind energy.
- Taking into consideration the forecasts for the development of using renewable energy sources on the one hand, and the economic potential of Eastern Poland Voivodeships on the other hand – in particular with respect to biomass, biogas, wind and water energy, one may expect that one of the most important regions in Poland, in which the renewable energy sources will develop, is Eastern Poland itself.

11. Business Process Outsourcing (BPO) sector

Due to favourable geographical location, cultural similarity of the western markets and favourable relation of personnel costs to work quality, Poland is one of the most attractive states in the world for foreign investors in the BPO sector. In a market maturity ranking published in 2012 prepared by a consultancy company Ernst & Young – Poland ranked the 30th among 148 states. Human capital constitutes the biggest asset of our country. The report creators awarded Poland 92 points out of a maximum of 100 in that category – the highest score in Europe, excluding Russia. Poles were recognized as very well-educated employees with high qualifications.

11.1. Sector size and structure

The number of the greatest BPO centres in Poland is estimated – depending on categories and type of research – at approx. 400. These are mostly centres owned by foreign investors working for parent companies (the so-called captive centres) and standard outsourcing centres servicing the external customers. A growing presence of international research and development centres in Poland confirms high skills of the domestic specialists. The majority of the BPO sector companies in Poland are centres for foreign customers. Most centres operate in the IT sector. Large research and development centres specialising in industrial innovations have been located in Poland as well. These result also from the previous investments in the industry.



11.2. Description of the sector

The BPO sector in the cities of Eastern Poland has only started developing. At present, the following companies operate in the Macroregion:

- Citi Group in Olsztyn
- Transcom Word Wide Poland (call centre and difficult receivables centre in Olsztyn)
- Forp (data archiving centre), Siedlce
- Polish Marketing Centre, Division III, Lublin
- Medicover (Synevo Medical Diagnostic Laboratories), Tomaszów Lubelski, Lublin
- TP R&D,

- Accounting Centre of TP SA, Lublin
- Syntea Development Centre, Lublin
- Genpact, Lublin
- Internet Group (Contact Point)
- DomData Accounting Bureau, Rzeszów
- City Interactive, Rzeszów
- Rodan Systems
- Telbridge, Kielce
- Call Center InterGalactica, Kielce
- NSK, Kielce
- Transition Technology, Białystok
- NSG Group – Sandomierz

There are very few service centres representing only one specialisation. Typically each of them delivers more than two specialisations. This additionally justifies the development of shared services – which may be common for a single recipient, as their provision in greater sets of services is profitable.

11.3. Success story

11.3.1. Genpact, Lublin

An Indian BPO company – Genpact – decided to establish its second service centre specializing in financial and accounting services in Lublin in Poland. The first Polish centre of this company was established in Wrocław in 2006. The centre in Lublin launched its operation in 2008. The key selection criteria for such a location included the availability of skilled employees, lower costs of operation in Lublin, availability of investment incentives within the scope of the EU funds and support at the stage of investments provided to the company by the city authorities. Thanks to the cooperation with the city authorities the company was able to launch its investments within 5 months, employ 110 people and start the provision of its services to the customer.

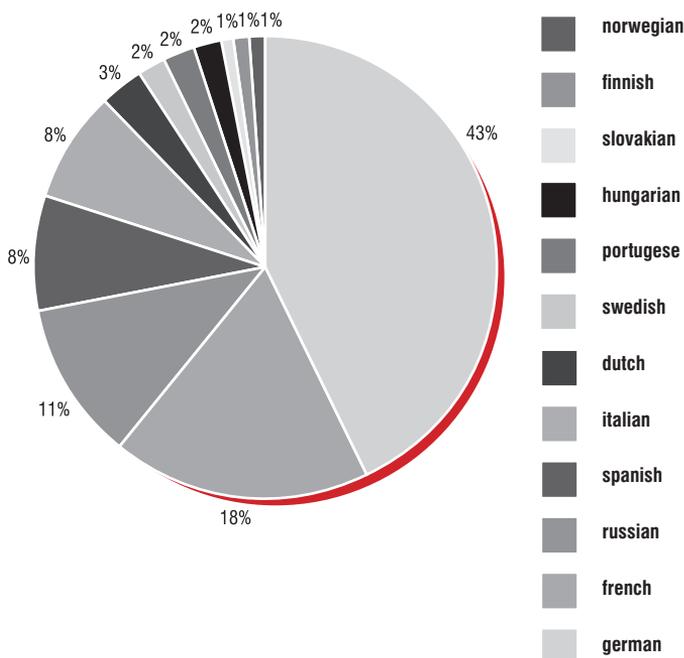
The advantage of Lublin that determined the selection of the city was its specific location. The Genpact centre searched for a location, which would ensure access to potential employees with Slavonic languages (Czech, Slovakian and Russian). The company emphasizes also the fact that 90% of the employees of the Lublin centre are people with higher education and 84% of them with experience in accounting.

11.4. Sector's growth potential

There are 460 higher education institutions operating in Poland, of which 76 are situated in Eastern Poland (in five capitals of the Eastern Poland Voivodeships and in other cities of the region). There are approx. 100 of them including university branches and consultation points.

The development of the BPO sector is chiefly affected by the largest cities of the Macroregion that have the greatest number of universities, whereas the number of

CHART 12. Language potential of the BPO centres operating in Poland (other languages accompanying English)



Source: Grafton Recruitment, January, 2009

TABLE 43. Key universities in major cities in Eastern Poland

City	Number of universities	Key universities
Lublin	12	Catholic University of Lublin of John Paul II Marie Curie-Skłodowska University Lublin University of Technology Medical University
Rzeszów	9	Rzeszów University Rzeszów University of Technology University of Information Technology and Management
Białystok	10	Białystok University Białystok University of Technology Medical University
Kielce	14	University of Humanities and Sciences of Jan Kochanowski Świętokrzyskie University of Technology
Olsztyn	4	Warmia and Mazury University Olsztyn University of Information Technology and Management

Source: Own compilation on the basis of city websites in 2012

TABLE 44. Students of the selected faculties in the main cities of Eastern Poland

City	ITC	Business and administration	Finance and accounting	Engineering	Sciences
Lublin	3 792	18 922	858	5 137	1 966
Białystok	3 691	12 298	852	4 469	412
Kielce	3 188	14 976	560	4 248	1 345
Rzeszów	3 625	10 270	0	3 883	1 463
Olsztyn	2 113	8 952	0	2 978	2 354

Source: Own compilation on the basis of the Central Statistical Office data, 2011

TABLE 45. Graduates of master degree studies in Eastern Poland according to school types in 2011

Type of school	Lubelskie	Podlaskie	Podkarpackie	Świętokrzyskie	Warmińsko-Mazurskie
Universities	13 421	4 474	7 553	5 044	8 386
Universities of Technology	2 186	3 174	3 886	2 017	-
Medical universities	1 603	1 084	-	-	-
Public high vocational schools	1 803	924	3 091	68	575
Non-public high schools	11 982	5 762	6 469	7 075	4 691

Source: Central Statistical Office, 2011

students – that is a local labour market – is the largest.

Almost 300 thou. people study in the five capital cities of Eastern Poland, of which 50 thou. at technical schools. Lublin is listed among the 8 greatest academic centres in Poland. The BPO sector seeks students of specific faculties – in particular the students of IT, finance and accounting and administration faculties.

Poland offers excellent conditions for launching in particular financial and accounting centres, since 1/4 of all universities in Poland are economic universities. An additional Poland's advantage is good knowledge of foreign languages. The most popular language among students is English, accompanied by average knowledge of the second foreign language declared by most of the students.

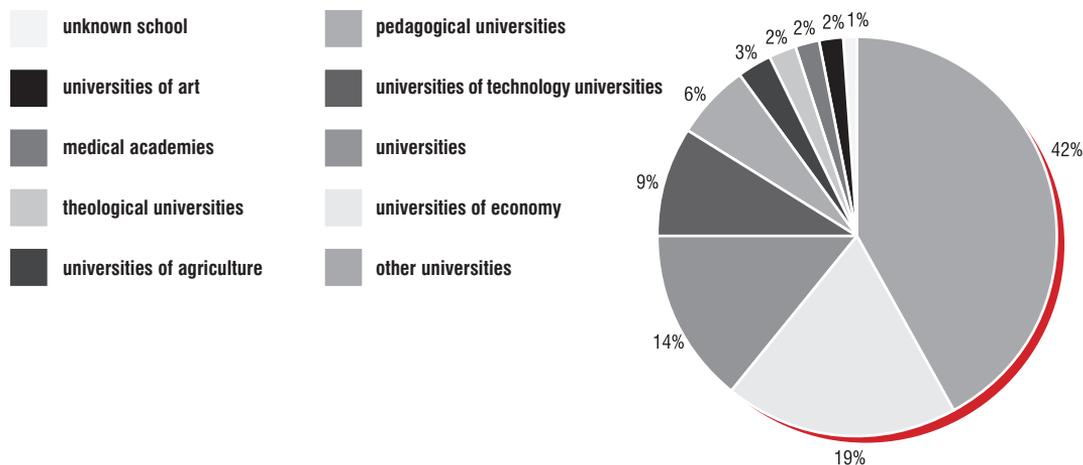
What distinguishes Polish students is their willingness to learn less popular foreign languages as well. Many universities offer the opportunity to learn such languages as Hebraic, Arabian, Persian, Finnish, Swedish, Norwegian, Danish, Dutch, Hindi, Japan, Chinese and many others. Therefore Poland is an ex-

cellent location for companies planning an expansion into the markets of Eastern Europe but expecting to continue their operation in the EU legal and economic conditions.

11.5. Development prospects

- Poland has been consistently strengthening its position on the global outsourcing map, attracting numerous BPO investments for the last several years. This phenomenon was less visible in the market boom period, however the financial crisis increased the process (it chiefly concerns outsourcing of accounting and HR-payroll processes).
- Outsourcing market in Poland is far from being saturated, what is more, it has become particularly attractive for the EU companies.
- So far only large cities have benefited from the BPO sector development, however in the future we may expect a transfer of investors' interest to smaller cities due to rapidly growing number of centres in the traditional locations for the sector.

CHART 13. Eastern Poland universities according to types in 2011 (including branches and consultation points)



Source: Own compilation on the basis of the Central Statistical Office data

12. Aviation sector in Eastern Poland

12.1. Sector size and structure

Total value of the aviation sector turnover in Poland, including all the enterprises operating in the sector and involved in manufacturing and sale of final planes and helicopters, parts and components as well as the turnover of sub-contractors working for large enterprises in 2011 amounted to PLN 3.2 billion (EUR 800 million). In 2003-2008 the sectoral turnover grew rapidly. In 2003 the turnover value amounted to EUR 170 million, which was four times less comparing to 2008 and 2009, and almost five times less comparing to 2011. Most of the aviation industry turnover was acquired from manufacturing of parts and components rather than of the final products i.e. airplanes and helicopters. In the same period, employment increased from 9 thousand employees in 2003 to 25 thousand people.

The years 2003-2008 were a period of favourable market situation for the aircraft industry in Poland, which translated into positive financial results in this period. However, in 2009 the situation changed, mostly due to global economic crisis, which resulted in a drop in the number of commissions for new airplanes and helicopters and parts and components to them. In 2009 the companies de-



livered contracts, which had been won in preceding years. It needs to be emphasised that approx. 90% of the entire manufacturing in the aircraft industry in Poland is exported (mostly parts and components for the global sales network of the global leaders, such as Boeing, Eurocopter, Augusta and EADS) comparing to approx. 10% sold in Poland. The largest foreign customers – recipients of the products manufactured in Poland are based in the USA, Italy, Canada, Russia, Great Britain and Germany. The largest import of the aviation sector in Poland is from the USA and Spain.

TABLE 46. **Net revenues and profit of airplanes, parts and components manufacturers (excluding sub-contractors) in Poland in 2003-2008 (in PLN thousands)**

	2003	2005	2007	2008	Change in 2003-2008 (in %)
Revenue in thou. PLN	1 030 054	1 464 116	1 664 206	2 056 087	+99.6
net profit in thou. PLN	16 422	55 713	108 667	74 436	+353.3

Source: Own compilation on the basis of the Central Statistical Office data 2003-2008

Aviation Industry in Eastern Poland:

- 100 years of aviation history,
- 70 years of aviation industry history,
- low labour costs in aviation industry,
- over 25,000 qualified employees,
- Rzeszow University of Technology featuring a well-developed Faculty of Machine Construction and Aviation,
- investor-friendly business environment,
- low corporate income tax (CIT),
- centrally located international airport (Rzeszów-Jasionka),
- main A4 motorway linking south-eastern Poland with its south-western part, which is also a part of a European Transportation Corridor



The largest domestic customer of the Polish aviation industry is the Government of Poland, which purchases airplanes, helicopters and spare parts for the army, police forces, border guard and aerial rescue service. The new segment of the domestic market recipients of aviation industry products may be private companies offering aviation services e.g. passenger flights by small airplanes. This market has currently been small (order values do not exceed 10–20 small airplanes per annum sold usually to aviation clubs or private owners), however certain growth potential in the future exists.

12.2. Description of the Sector

Aviation industry is one of the most advanced branches of global economy, characterized by high degree of innovativeness of products and technologies and high extent of cooperation with scientific centres and universities. Own studies have been performed by both manufacturers operating in the Polish aircraft industry and the associations operating in Poland. The Aviation Valley cluster completed, inter alia, a study concerning the direction of material technologies development for the needs of the aviation cluster and aviation industry in Poland. It referred to, inter alia, technologies of manufacturing metal elements for propulsion units and transmission as well as landing gear and equipment, technologies applied in the manufacture of elements for the construction of helicopters and airframe fuselages as well as the methods of manufacturing parts of propulsion with the use of non-metallic materials, assembly technologies, methods of processes control for testing of parts and sub-units, nano-technologies and technologies in the field of avionics. The project was co-financed from the EU funds.

Polish enterprises have also been cooperating with universities in the field of research and development. This cooperation is beneficial to both parties, since such a combination of partners in the project i.e. university + enterprise, has often increased opportunities of acquiring financial aid for the project. However, cooperation of the aviation enterprises with local high schools is of a more stable and long-term nature. WSK Rzeszów has been cooperating e.g. with Rzeszów University of Technology. Approx. 10 local high schools have been involved in close cooperation with aviation sector enterprises, which apart from joint scientific and research activity, train personnel for the needs of aviation industry. It is also worth noting that there are three specialized technical high schools operating in Poland and educating students in the professions related to the aircraft industry and aviation.

12.3. Description of the sector development centres

Transformations of the Polish economy after 1989 and the implementation of the principles of market economy have influenced the structural changes of the aircraft industry. The sector consists of enterprises established as a result of transformation of WSK enterprises (mostly through privatization), enterprises remaining sole or partial property of the State Treasury and enterprises established as a result of direct foreign investments. These are chiefly large enterprises, accompanied by a group of SME's.

As much as 90% of Polish aircraft industry is concentrated in Eastern Poland. In May 2009 a greenfield investment was completed near Rzeszów – a plant opened by a German concern of MTU Aero Engines, a global potentate of designing and manufacturing aviation propulsion. **The share of**

MAP 8. Location of the main aircraft industry enterprises in Eastern Poland

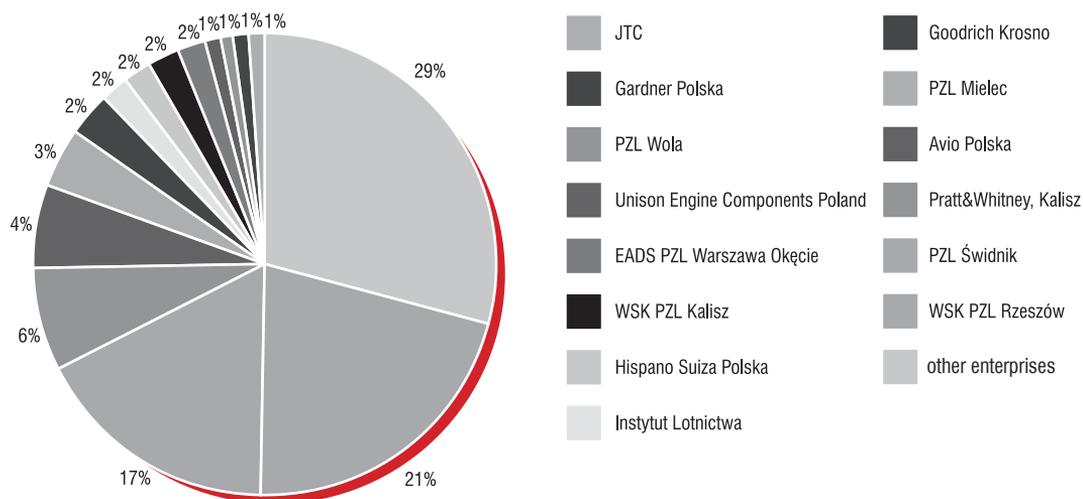


Source: www.paiz.gov.pl, 2012

two largest companies of the industry located in Eastern Poland – WSK PZL Rzeszów and PZL Świdnik – in the sector turnover amounts to over 40%. Together with the third and fourth largest players of the Polish aeronautics sector – Pratt&Whitney and PZL Mielec – they hold over 55% of the turnover of the entire industry.

The image of enterprises is complemented with a group of Polish SME's, including, inter alia, Aero-Kros, Aero AT, Margański&Mysłowski and Wytwórnia Konstrukcji Kompozytowych (Composite Constructions Manufacturing Plant) Andrzej Papierek. They are mostly situated in the Podkarpackie Voivodeship and around Bielsko-Biała.

CHART 14. Market share of the largest aircraft industry enterprises, 2008



Source: PMR Research, 2008

12.4. Success story

12.4.1. WSK Rzeszów

Rapid development of Polish industry is owed to foreign investments. Cooperation commissions and supplies to other foreign plants of the Polish manufacturing plants currently constitute the main source of WSK Rzeszów revenues. This largest manufacturer of aircraft engine components in Poland is a part of an USA-based United Technologies Corp. Rzeszów enterprise has been involved in the assembly of engines for F-16 and is currently recognized as one of the best manufacturing plants of the American UTC corporation in respect of manufacturing quality, timely supplies as well as health and safety. Tinplate components manufactured in Rzeszów, precise casts or gears are installed in the majority of aircraft engines bearing Pratt&Whitney logo. However, the global crisis has slightly slowed

down the previous manufacturing sales rate of the entire UTC group. Pratt&Whitney works in Kalisz (manufacturer of components for aircraft engines) were subject to a technological revolution, similarly as PZL Mielec, which was taken over by a global helicopter tycoon Sikorsky Aircraft (also a UTC corporation) in 2007. In the Polish factory the American investor manufactures Black Hawk military helicopters for international markets.

12.4.2. PZL Świdnik

In January 2010 the privatization of one of the remaining helicopter manufacturing plants of PZL Świdnik was formally signed. The enterprise was purchased by an Italian and British helicopter tycoon – Agusta Westland, which has already been cooperating with the plants in Lublin for 13 years. Fuselages of the majority of Italian helicopters constructed in Poland will continue to be supplied from PZL Świdnik to AW plant in Europe. The manufacturing plant has also

been generating profits on other aircraft components. Despite the slow-down in the sector, cooperation orders from Airbus, Eurocopter, Latercoere and other major clients from the USA and Great Britain continue to constitute the considerable part of production volume.

14.2.3. Goodrich

Since the beginning of the present decade, Goodrich aircraft corporation has been manufacturing aircraft sub-assemblies in a manufacturing plant in Krosno situated in the Podkarpackie Voivodeship. 100% of products manufactured with the use of the most advanced and unique technologies are exported to the US assembly plants of landing gears. Subassemblies manufactured in Krosno are used for the production of landing gears in the entire Boeing family, including Boeing 777 and F-16 fighters. Also all new operating Gulfstream jets and two types of short-distance passenger airplanes of the Canadian Bombardier land on the landing gears manufactured in Krosno. Aircraft sub-assemblies have been also exported to Japan for many years. The manufacturing plant of Goodrich in the Podkarpacie acquired commissions to manufacture several elements of landing gears for European Airbus A380.

form south-eastern Poland into one of the leading aircraft regions in Europe capable of delivering a wide range of aircraft products and services to demanding customers. The main objectives of the association are:

- organizing and developing cost-effective supplier chain,
- establishing favourable conditions for the development of aircraft industry enterprises in the region,
- further development of research, skills and abilities in the field of aviation,
- cooperation and development of aircraft industry and universities to promote new concepts and development of the R&D sector in aircraft industry,
- promoting Polish aircraft industry,
- supporting aircraft industry enterprise,
- influencing the economic policy of the Polish Government in aircraft industry-related issues,
- attracting foreign investors,
- developing cooperation with other European aircraft industry centres.

The association is composed of almost 90 regional members – airplanes manufacturers, their parts and components, suppliers, companies involved in research activities in the sector, logistic service providers, training and educational institutions. According to the assumptions, within the next few years the association is to comprise over 100 members.

12.5. Clusters, organizations and supporting associations

12.5.1. Aviation Valley Aircraft Manufacturers Association”

The main association of the Polish aviation sector is the Aviation Valley cluster.

The Association was launched on 11 April 2003 as a non-profit organization, aiming at the development of aircraft industry in south-eastern Poland. Long-term objective of the Aviation Valley Association is to trans-

12.5.2. Silesian Aviation Cluster

A cluster similar to the Aviation Valley – Silesian Aviation Cluster – operates in Bielsko-Biala and is associated with Avio Polska. This cluster is smaller in comparison to the Aviation Valley and includes 21 companies employing approx. 850 people, while its revenue reaches an amount of EUR 110 million per annum. Despite the fact that the Silesian cluster is a separate organization, all of its members are also Aviation Valley members.

12.5.3. Aeronet Advanced Technologies Centre – Aviation Valley

The centre was established in 2004 under the auspices of the Rzeszów University of Technology. It includes the enterprises co-establishing the Aviation Valley and five universities conducting research on the technologies of importance for development of the aircraft industry in Poland.

12.5.4. Avia-SPLot Aircraft Alliance Network

The association was established in 2007 and includes the production companies interested in aircraft manufacturing as well as associations and institutions involved in aviation and located mostly in the Podkarpackie Voivodeship.

The mission of the Avia-SPLot is specialized cooperation in the scope of technology and manufacturing aimed at ensuring the development of aircraft industry to satisfy the needs of potential customers on aircraft products. In practice the mission is implemented by increasing manufacturing capabilities of aircraft industry on the basis of joint and flexible manufacturing management, formalization of technical and manufacturing cooperation between the network participants, ensuring high quality of manufacturing preparation and manufacturing under the ISO 9000:2000 standards, ensuring cooperation with scientific and technological facilities and using knowledge and skills of the scientific, technological and business-related enterprises as well as public aid organizations for sustainable local development.

12.6. Development prospects

Despite a difficult present situation in the global aviation market, both long- and short-term development forecasts for this sector are highly favourable. According to the report prepared by Airbus, within the next 20 years global market demand for airplanes will reach 25 thousand. The greatest demand for new airplanes will be recorded in developing markets, in particular in Asia and the Pacific Region. The aviation sector in Eastern Poland is strictly linked with to the global industry, due to which global trends will also influence the Polish market. Large enterprises, which have previously been manufacturing complete airplanes, will move into the manufacture of parts and components. Their condition will depend on the condition of their parent companies. In the years 2003–2011 Polish aircraft sector was continuously developing. The year 2009 brought changes – the development hindered and the turnover reached the level from 2008, which resulted from the most from the global crisis. However, in 2010 the slowdown in the sector production eased and its output rose again. The other stimulant for development of the Polish aircraft industry is the fact that in near future the Government of Poland will be forced to commission new helicopters for the police forces and border guard or training airplanes for the army.

Chapter V

System of investment incentives



1. Investment incentives as a form of regional public assistance

Poland offers attractive system of investment incentives designed for the support of new investments in the regions. The system mainly consists of:

- income tax exemption in special economic zones,
- real estate tax exempt,
- appropriated allocation from the state budget,
- financial grants from the EU structural funds

All the above-listed incentives are closely connected with granting public assistance in the form of a regional investment aid.

1.1. Regional investment assistance

This is a kind of aid granted to the so-called initial investments, which concern investments in tangible and intangible assets with regard to:

- creating a new enterprise;
- extension an already existing enterprise;
- diversification of production an already existing enterprise through implementation of new, additional products;
- introducing a significant change in the production process in an already existing enterprise.

Tangible assets such as land, buildings, premises and machinery.

Intangible assets concerning transfer of technology related to acquiring patent rights, licences, know-how or nonpatented technical knowledge. Replacement investments are not considered as new ones.

Regional investment assistance is calculated in two ways:

- with respect to investment expenditure;
- with respect to 2-year worth costs of employment at newly created workplaces (gross salary plus social insurance contributions).

Creation of new places of work is understood as a net employment increase in a particular enterprise in comparison to the average employment of prior 12 months.

1.2. Incentive effect

Approved level of regional assistance depends on the fulfilment of the so-called **incentive effect**. It involves an obligatory application for granting assistance prior to investment project commencement and additionally, in case of large enterprises it is necessary to prove that the assistance will result in:

- a significant increase of the scope, range or the total amount of expenditure incurred by a beneficiary with regard to a project;
- a significant acceleration of a project completion.

Incentive effect is also fulfilled if, in case of lack of aid, a project would not be implemented in a given area covered by aid (e.g. in a country other than Poland).

1.3. Principles of granting public aid

Maximum acceptable regional assistance for one investment project is a result of multiplication of its intensiveness in a particular region and qualified costs: investment



1.4. Defining enterprise size

Pursuant to the EU regulations, the following factors should be taken into account:

- number of employees,
- annual turnover
- annual balance.

One needs to bear in mind that a method of establishing enterprise size accounts for the information on partner and related companies (detailed information in Appendix No. 1 to the EC Regulation No. 800/2008 of 6 August 2008).

the date of project completion. In the event when the assistance was granted for creation of new workplaces as a part of a new investment, they must be maintained for at least 5 years (or 3 years in case of SME's), since the date of their creation. New places of work should be established within 3 years since the investment completion.

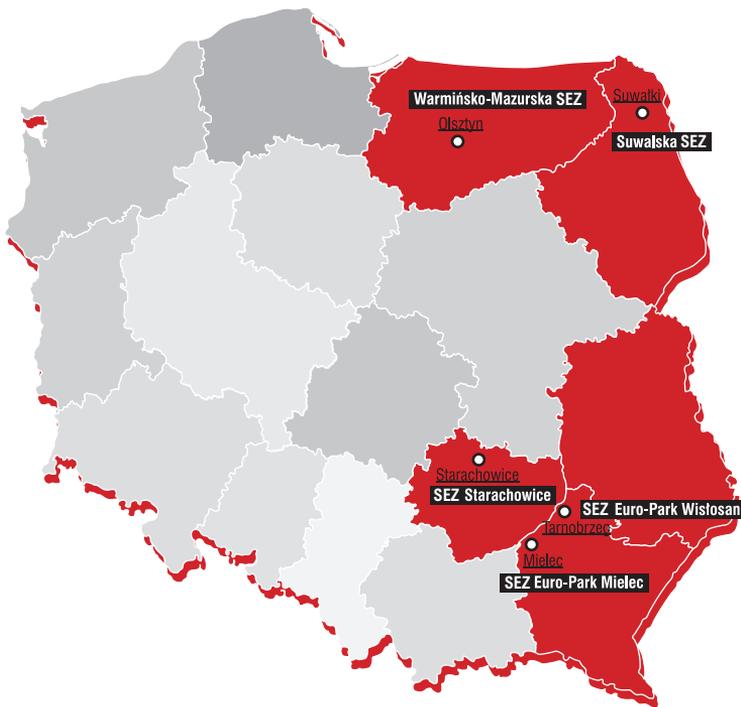
TABLE 1. Ceilings and thresholds for calculating size of enterprise

Type of enterprise	Number of employees	Annual turnover (in EUR mil.)	Annual balance (in EUR mil.)
Micro-enterprise	up to 10	up to 2	up to 2
Small enterprise	up to 50	up to 10	up to 10
Medium enterprise	up to 250	up to 50	up to 43

Source: Own compilation based on the EC Commission

2. Special Economic Zones (SEZ)

MAP 2. **Special Economic Zones in the Eastern Poland**



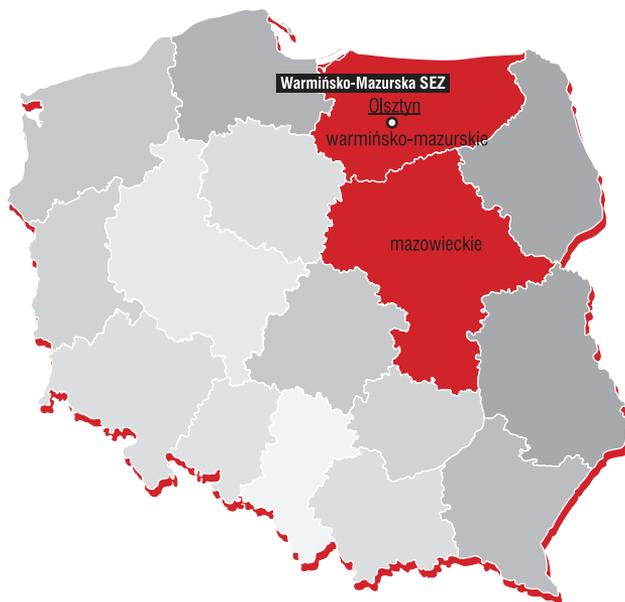
Currently, there are 14 SEZ's including 5 in the Eastern Poland voivodeships.

Special Economic Zones

These are restricted and non-residential areas of the territory of Poland in which economic activity may be conducted according to preferential terms. The SEZ's are supposed to finish their activity by the end of 2020. SEZ's have been mainly created for the purpose of:

- faster economic development of particular regions of Poland;
- advancement of specific branches of economic activity;
- management of existing industrial estate and economic infrastructure;
- creation of new places of work;
- attracting foreign investments.

MAP 3. Warmińsko-Mazurskie Special Economic Zone



Warmińsko-Mazurskie Special Economic Zone

Seat: Olsztyn

Area: the Warmińsko-Mazurskie and the Mazowieckie Voivodeships.

2.1 Warmia and Mazury Special Economic Zone

It is situated in the North-East region of Poland. Its total area is **914.5 ha** of lands with 302.3 ha available for investments. This area consists of **24 subzones** located in the following cities and municipalities: Barczewo, Bartoszyce, Ciechanów, Dobre Miasto, Elbląg, Iława, Iłowo, Lidzbark Warmiński, Mława, Morąg, Mrągowo, Nidzica, Nowe Miasto Lubawskie, Olecko, Olsztyn, Olsztynek, Orzysz, Ostrołęka, Ostróda, Pasłęk, Pisz, Piecki, Szczytno and Wielbark.

As of 30 September 2012, 57 entrepreneurs held valid permits for conducting business activity and 34 enterprises were conducting business activity.

Almost **PLN 3 b** has been spent on investments and **12 067 work places** have been created. Two largest enterprises running business activities in the zone are Michelin Polska S.A. and LG Electronics Mława Sp. z o.o.

TABLE 2. The biggest investors in the Warmia and Mazury Special Economic Zone

Inwestor	Country of origin	Sector
Michelin Polska S.A.	France	automotive
LG Electronics Mława Sp. z o.o.	South Korea	electronics
Swedwood Poland Sp. z o.o.	Sweden	wood
Wydawnictwo Bauer Sp. z o.o.	Germany	graphics
Wójcik Fabryka Mebli Sp. z o.o.	Poland	furniture
Cetco Poland Sp. z o.o.	Holland	construction
Fabryka Mebli Szynaka Sp. z o.o.	Poland	furniture
Bruss Polska Sp. z o.o.	Germany	metallurgy
DFM Sp. z o.o.	Poland	furniture
Fabryka Mebli Taranko Aleksander Taranko	Poland	furniture

2.2 Suwałki Special Economic Zone

It is located within 3 voivodeships: the Podlaskie, Warmińsko-Mazurskie and Mazowieckie Its total area is **342.7662 ha**, with 106.16 ha available for business activity in **6 subzones**: Suwałki, Elk, Goldap and Białystok, Grajewo, Małkinia Górna.

As of the end of 2012 there were 69 Polish and foreign **companies** that created over **5 700 new workplaces** and which incurred total investments costs of over **PLN 1.7 billion**.

MAP 4. Suwałki Special Economic Zone



Suwałki Special Economic Zone

Seat: Suwałki

Area: the Podlaskie Voivodeship, the Warmińsko-Mazurskie Voivodeship, the Mazowieckie Voivodeship.

TABLE 3. The biggest investors in the Suwałki Special Economic Zone

Investor	Country of origin	Sector
Pfleiderer MDF Sp. z o.o.	Germany	wood
Rockwool Polska Sp. z o.o.	Danmark	construction
Porta KMI Poland Sp. z o.o	Poland	wood
impress decor Polska Sp. z o.o.	Austria	graphics
Malow Sp. z o. o.	Poland	metallurgy
Mispol S.A.	Poland	food
Iryd Sp. z o.o.	Poland	metallurgy, wood
Aquael Sp. z o.o.	Poland precise	mechanics
Cezar D. Niewiński	Poland artificial	material
Reckman Sp.j.	Poland	clothing

MAP 5. Tarnobrzeg Euro-Park Wisłosan Special Economic Zone



The Tarnobrzeg Special Economic Zone Euro-Park Wisłosan

Seat: Tarnobrzeg

Area: the Podkarpackie Voivodeship, the Świętokrzyskie Voivodeship, the Lubelskie Voivodeship, the Podlaskie Voivodeship, the Mazowieckie Voivodeship, the Dolnośląskie Voivodeship.

2.3. Tarnobrzeg Special Economic Zone Euro-Park Wisłosan

It has subzones within 6 voivodeships out of which 4 are located in Eastern Poland: the Podkarpackie, Świętokrzyskie, Lubelskie and Podlaskie as well as Mazowieckie and Dolnośląskie. Its total area is 1 632,31 ha with 535.7 ha of free lands for investments in **19 subzones**: Tarnobrzeg (149,91 ha), Stalowa Wola (277,35 ha), Nowa Dęba (113,60 ha), Radom (151,55 ha), Staszów (104,12 ha), Jasło (58,06 ha), Wrocław-Kobierzyce (410,68 ha), Przemyśl (81,49 ha), Janów Lubelski (18,51 ha), Siedlce (65,40 ha), Łuków (40,49 ha), Tomaszów Lubelski (10,56 ha), Węgrów (29,33 ha), Nowe Miasto nad Pilicą (15,13 ha), Kraśnik (23,48 ha), Przasnysz (55,07 ha), Horodlo (5,3 ha), Ryki (4,45 ha), Łapy (11,95 ha), Mińsk Mazowiecki (5,78 ha)

As of 30 June 2012, 224 permits, 200 permits were issued including 34 for foreign-capital companies. **28 448 of new workplaces were created and the investments costs exceeded PLN 7.0 billion.**

TABLE 4. The biggest investors in the Tarnobrzeg Special Economic Zone Euro-Park Wisłosan

Investor	Country of origin	Sector
LG Philips LCD Poland Sp. z o.o.	Republic of Korea	TV set and LCD monitor production
ATS Stahlschmidt&Maiworm Sp. z o.o.	Germany	automotive
Sanfarm Sp. z o.o.	Poland	pharmaceutical
LG Electronics Wrocław Sp. z o.o.	Poland	electronics
Heesung Electronics Poland Sp. z o.o.	Republic of Korea	electronics
QuadWinkowski Sp. z o.o.	Poland	graphics
Toshiba Television Central Europe Sp. z o.o.	Japan	electronics
Alumetal Gorzyce Sp. z o.o.	Poland	metallurgy
Jadar Techmatik SA	Poland	construction
Zakłady Metalowe Dezamet SA	Poland	defence

2.4. Euro-Park Mielec Special Economic Zone

Located mainly in South-Eastern Poland with total area of **1 246 ha in 20 subzones** out of which 396.5 ha constitutes an area for investment located in subzones within the following cities and municipalities: Mielec, Rzeszów, Głogów Małopolski, Trzebowniko, Lublin, Ropczyce, Ostrów, Zamość, Leżajsk, Jarosław, Laszki, Sanok i Zagórz, Lubaczów, Kolbuszowa and Szczecin, Lubartów and Krosno.

As of 31 December 2012, **231 permits** for business activity were issued in this Zone. The investors incurred **PLN 5.4 billion** as of 30 September 2012 in investment expenditure and **over 20 000** as of 30 September 2012 workplaces were created.

MAP 6. The Euro-Park Mielec Special Economic Zone



SSE Euro Euro-Park Mielec Special Economic Zone

Ssat: Mielec

Area: the Podkarpackie Voivodeship, the Lubelskie Voivodeship, the Małopolskie Voivodeship, the Zachodniopomorskie Voivodeship.

TABLE 5. The biggest investors in the Euro-Park Mielec Special Economic Zone

Investor	Country of origin	Sector
Polskie Zakłady Lotnicze Mielec Sp. z o.o.	USA	aviation
MTU Aero Engines Polska Sp. z o.o.	Germany	aviation
Borgwarner Turbo Systems Polnad Sp. z o.o.	USA	motorization
Lear Corporation Sp. z o.o.	USA	motorization
Kirchhoff Polska Sp. z o.o.	Germany	motorization
Firma Oponiarska Dębica S.A.	USA	motorization
Kronospan Mielec Sp. z o.o.	Austria	wood
Ball Packaging Europe Lublin Sp. z o.o.	USA	non-metal product
Bury Sp. z o.o.	Poland	electronic
BRW Sp. z o.o.	Poland	furniture
Goodrich Aerospace Poland Sp. z o.o.	USA	aviation

MAP 7. Starachowice Special Economic Zone



2.5. Starachowice Special Economic Zone

It is located within Świętokrzyskie Voivodeship with its subzones in the Lubelskie, Mazowieckie, Łódź and Opole Voivodeships. Out of its of **612.9 ha** total area, 225.38 ha is available for economic activity (as of the end of January 2011) in the following subzones: Starachowice, Ostrowiec Św., Skarżysko Kamienna, Końskie, Stąporków, Suchedniów, Morawica, Szydłowiec, Puławy, Iłża, Tułowice, Mniszków, Sędziszów and Kielce.

By the end of a 3rd quarter of 2012, **71** permits were issued and **7 228** workplaces were created, with a total investment cost of **PLN 1.6 billion**.

Starachowice Special Economic Zone

Seat: Starachowice

Area: the Świętokrzyskie Voivodeship, the Lubelskie Voivodeship, the Mazowieckie Voivodeship,

TABLE 6. The biggest investors in The Starachowice Special Economic Zone

Investor	Country of origin	Sector
Biella Szydłowiec Sp. z o.o./Biella-Neher AG	Switzerland	BPO
Cerrad Sp. z o.o.	Poland	ceramics
Cersanit II S.A.	Poland	ceramics
Gerda 2 Sp. z o.o.	Poland	metallurgy
Gerda 3 Sp. z o.o.	Poland	metallurgy
MAN Bus Sp. z o.o. /MAN Nutzfahrzeuge Gruppe	Germany	motorization
Orizzonte Polska Sp. z o.o.	International	metallurgy
RR Donnelley Starachowice Sp. z o.o./RR Donnelley	USA	graphics
Starpol II Sp. z o.o.	Poland	electrotechnics
Star-Dust Sp. z o.o.	Poland	ceramics
Ceramika Nowa Gala II Sp. z o.o.	Poland	ceramics
Star-Gres Sp. z o.o.	Poland	ceramics
Alpol Gips Sp. z o.o.	Poland	construction
Nova Ceramika Sp. z o.o.	Poland	ceramics
Ceramika Końskie Sp. z o.o.	Italy	ceramics

Kaye Aluminium Opole Sp. z o.o.	Spain	metallurgy
Valdi Ceramika Sp. z o.o.	Poland	ceramics
Zakłady Azotowe Putawy SA	Poland	chemical
Air Liquide Polska Sp. z o.o.	France	chemical
Fabryka Kottów Sefako SA	Poland	metallurgy

2.6. Investment incentives in Special Economic Zones

Income tax exemptions constitute a fundamental form of assistance for entrepreneurs investing in Special Economic Zones. This type of exemption available in Special Economic Zones is a form of regional aid from the State offered to new investments towards the creation of new workplaces.

Moreover, entrepreneurs investing within Special Economic Zones may count on:

- a plot of land fully prepared for investments at a highly competitive price;
- free assistance with all formalities concerning the investment,
- real estate tax exemption (in some municipalities).

2.6.1. Structure of tax exemption

Tax exemptions do not refer to total revenue generated in a special economic zone, but it is only limited to a part of incurred qualified costs.

Qualified costs may be the costs of new investment or new workplace creation with regard to new investment. The costs of new investment include expenditure incurred on land, buildings, premises, machinery and equipment, and provided certain conditions have been met – costs of investments on intangible assets. The costs of new workplace creation are calculated as a 2-year cost of work of new employees and they comprise

gross salaries compounded by other salary unrelated, obligatory costs.

Tax exemption rate depends also on the investment's localization, in particular on the intensity of the assistance granted in a particular region which further varies depending on the size of applying enterprise. In all five voivodeships of Eastern Poland, maximum intensity of the said support for large enterprises amounts to 50%, for medium enterprises: 60% and for a small ones: 70% of qualified costs.

Example of income tax exemption in SEZ's:

A large enterprise plans an investment in a region with 50% assistance intensity with qualified costs of PLN 50 billion which include:

- cost of land purchase: PLN 5 mil.,
- costs of hall, machinery, know-how, etc.: PLN 45 mil.

Maximum amount in public assistance in a SEZ will amount to:

- qualified costs amount x assistance intensity:
PLN 50 mil. x 50% = PLN 25 mil.
- PLN 25 mil. = value of public assistance (the amount of tax exemption)
- Corporate income tax is 19%,
thus PLN 25 mil. x 19% = PLN 131.6 mil

2.7. Permit for business activity in SEZ

Legal basis for public assistance in SEZ is provided by a permit for business activity issued by the SEZ management board. This permit is granted if a planned activity will contribute to achieving the objectives defined in the Zone development plan, provided an entrepreneur does not commence works over project before such permit is obtained. The permit is valid until a particular Zone operates. Such permit is issued after the conduct of a tender or negotiations with the investor. A bid for the permit may be accompanied by a sale of a real estate on which a new investment is to be located.

2.7.1. Business activity not subject to permits

A permit is not issued for the following business activity:

- production of explosives, tobacco, fuel processing as well as production, bottling and processing of alcoholic beverages and alcohol designated for purpose other than biocomponent-production;
- running games centre;
- services of installing, repairing, maintaining and overhauling machines and equipment used for business activity performance within a particular Zone;
- services connected with sewage disposal and treatment, removal of sewage deposits with the exclusion of re-cultivation services and other waste-management services;
- building premises and works;
- wholesale and retail trade, motor vehicle repair, including motorcycles and bed and breakfast services;
- road transport towing services;
- certain services subject to licencing concerning information and communication;
- financial, insurance services and real estate market services;
- professional, scientific and technical services, excluding financial audits and accounting services, services of research and technical analyses;
- administration and support services excluding call centre services;
- public administration and national defence services; compulsory insurance and education services, health care and social aid services, cultural, entertainment, sports and recreational services;
- household services and extraterritorial organization services as defined in T and U sections of Polish Classification of Products and Services (PKWiU);
- business activity which requires a concession, pursuant to Article 32 Section 1 of the Energy Act (production of fuels and energy) of 10 April 1997;
- other as defined by Article 1 Sections 2-6 of the EC Regulation No. 800/2008 of 6 August 2008.

2.8. Incorporation of private areas into SEZ

Special Economic Zones are a flexible instrument of investors' support, therefore, provisions of law allow to incorporate private land on which an investment is to be situated, to SEZ. It is an incentive for these investors who have not found an adequate place within the SEZ areas and want to use a privilege of tax exemption. Detailed principles on incorporation of private lands into SEZ are regulated by the Directive of Council of Ministers of 10 December 2008 on criteria which allow to include some areas into SEZ (Journal of Laws of 2008, No. 224, Item 1477).

2.8.1. Criteria

■ Universal criteria

Creating a specific number of new places of work or incurring investment costs of a specified amount (the fulfilment of only one of these conditions is sufficient).

The greater the unemployment in a particular poviát, in comparison to average national unemployment rate, the lower the number of new places of work or lower investment outlays needed to incorporate a land into Special Economic Zone.

■ Innovative investment

Innovativeness involves starting production of new or significantly improved goods not yet produced on a Polish market, providing services which are not yet offered in the Region, introducing new technological solutions that have not been applied yet or have been used for one year only. An investor should confirm the innovativeness with opinions of two scientific institutions.

■ Investing in research and development services.

■ Investing in preferential services:

- IT services,
- financial audit services,

TABLE 7. Conditions for inclusion private lands into Special Economic Zones

Criteria	Range/Investment type	Conditions (one of the two)	
		Minimum number of new workplaces	Minimum amount of investment (in PLN mil.)
universal criteria	$BP \leq 60\% BK$	500	350
	$60\% BK < BP \leq BK$	250	155
	$BK < BP \leq 130\% BK$	200	138
	$130\% BK < BP \leq 160\% BK$	170	120
	$160\% BK < BP \leq 200\% BK$	150	100
	$200\% BK < BP \leq 250\% BK$	100	70
	$250\% BK < BP$	50	17
other criteria	R&D investment	50	10
	Investment into preferential services	150	20
	Innovation-related investment	Conditions (total)	
		30	20

Legend: BK – average national unemployment rate, BP - unemployment rate in a poviát in which the land is located

- accounting services (excluding tax returns),
- call centre services,
- release of computer games and other software,
- computer and peripheral appliance repair and maintenance.

For these services, the criteria has also been made dependant on the unemployment rate in the powiat, in which the land included into a SEZ is located, and the criteria is of a preferential nature.

2.8.2. Preferences for eastern voivodeships of Poland

For investments in one of the five voivodeships of Eastern Poland (the Świętokrzyskie, Podkarpackie, Podlaskie, Lubelskie and Warmińsko-Mazurskie) the conditions related to employment rate and investment qualified costs as shown in Chart 7., are lowered by 30% for all the criteria.

3. The real estate tax exemption

It is an attractive form of investor support. Particular municipal councils which also decide on the real estate tax rate in the municipality (based on legal provisions) are entitled to establish a tax exemptions.

As defined by law, the real estate taxpayers are real estate owners and the tax concerns:

- land,
- buildings or their parts,
- premises or their parts connected with business activity performance..

Maximum annual tax rates on:

- land for business activity: **0,80 PLN/m²**
- bulidings for business activity: **21,05 PLN/m²**
- premises: **2% of their value.**

Generally, the real estate tax exemption assumes a form of regional help or de minimis. The amount and duration of such exemption depends mainly on a number of created workplaces, the amount of investment costs and size of enterprise. In case of de minimis, amount of assistance in the form of a real estate tax exemption for one business entity over 3 subsequent years may not exceed EUR 200 thousand or EUR 100 thousand in road transport sector.

4. Appropriated allocations from the state budget

Polish government pays special attention to encouraging foreign investors to locate new investment projects in Poland. Appropriated allocations within the system of support for investments have been of great importance to Polish economy as of 23

September 2008 (herein referred to as the System) that lists 2 types of grants:

- the investment grant,
- the employment grant.

The main objective of the System is increasing the innovativeness and productive-

Examples of real estate tax exemptions in Eastern Poland:

TABLE 8. **Białystok, the area of the Suwałki Special Economic Zone**

Company size	Minimum number of new workplaces	Minimum investment amount (EUR)	Exemption period
small	10	60 000	3 years (maximum until 2013)
medium	50	250 000	
large	200	3 000 000	

TABLE 9. **Lublin**

Company size	Minimum number of new workplaces	Exemption period
small	8	12 months
medium	30	
large	150	

TABLE 10. **Rzeszów**

Company size	Minimum number of new workplaces	Exemption period (maximum until 2013)
small medium large	8	6 months
	6-10	12 months
	11-20	24 months
	21-30	36 months
	31-40	48 months

ness in Polish economy through enhancing a number of advanced-technology investments and increase of employment within the regions through creating places of work of high-productivity.

4.1. Strategic sectors

The *System* is aimed at investors implementing new investments in sectors perceived as priority for Polish economy. These are:

- **automotive sector**, particularly manufacture of: motor vehicles, bodies, trailers and semitrailers, parts and accessories for motor vehicles and their engines,;
- **electronic sector**, particularly production of: computers, TV, radio and telecommunications equipment, systems and subsystems (specifically for motorization industry, energy, household appliances and military,
- **aviation sector**, particularly production of airplanes, parts and accessories for planes and their engines, service activity concerning repair, maintenance and overhauls of airplanes and their engines,
- **biotechnology sector**, particularly production of: white biotechnology used in industrial processes and red biotechnology connected with medicine and health protection (new health product invention),

- **modern services sector** particularly services concerning: IT, BPO and telecommunication;
- **research and development.**

Investors conducting significant investment projects, regardless of the sector, may apply for this kind of support as well.

The *System* supports only new investments projects, whose implementation in Poland is conditional on the receipt of an appropriated allocation from the state budget.

4.2. Obligatory conditions for obtaining assistance

4.2.1. Assistance for new workplace creation

The following requirements must be fulfilled in order to apply for an employment grant:

- implementation of a new production investment in the priority sectors, assuming the creation of least 250 new workplaces and the investment cost of minimum PLN 40 million;
- implementation of a significant production investment providing for at least 500 new places of work and the investment cost of minimum PLN 1 billion;
- implementation of a new investment within modern services sector, providing for at least 250 new workplaces;
- implementation of a new investment within research-developmental sector providing for at least 35 new places of work for university graduates and the investment cost of minimum PLN 3 million.

Preferences for the eastern voivodeships of Poland

Investments in one of the 5 voivodeships of Eastern Poland, the amount of financial support per one place of work on account of the costs resulting from creating a new workplace is increased by 8%.

4.2.2. Support for new investment

Applying for a new investment requires:

- implementation of a **new investment** in the priority sectors, providing for the creation of at least **50 new workplaces** and the minimum investment cost of PLN 160 million,
- **implementation of new significant investment**
- planning at least **500 new workplaces** and minimum investment costs of **PLN 1 billion.**

4.3. Forms of support

The support is granted in the form of an appropriated allocation on the grounds of a contract between Minister of Economy and the investor pursuant to Council of Ministers Directive on establishing the programme for a long-term support for investment implementation.

4.4. Public assistance

The assistance provided within the scope of the *System* is granted in pursuance of the guidelines on national regional aid for 2007-2013 (the UE Official Journal C 54 of 4 March 2006) or the EC Regulation No. 800/2008 of 6 August 2008 recognizing certain types of aid, in compliance of the rules of the common market and according to Article 87 and 88 of the Treaty (general regulation on block exclusions) (the EU L 214 Official Journal of 9 August 2008, page 3).

The public assistance granted within the *System* is a regional ad hoc assistance, thus it falls under a compulsory approval of the EU Commission prior to its granting. This obligation does not concern the aid granted within the *System* if it is only an addition to the assistance provided in regional investment support and employment assistance (e.g. as addition to income tax exemption in a SEZ or the support within structural funds)

which does not exceed 50% of a total amount granted to a particular investment.

The Minister of Economy is an authority granting public assistance within the System. Polish Information and Foreign Investment Agency (PAIIZ) is the institution in charge of public assistance applications.

4.5. Governmental grants

4.5.1. Program for the support of investments of considerable importance for Polish economy

Investors carrying out new investments in Poland can count on receiving support under the “Programme of support of investments of considerable importance for Polish economy for years 2011-2020” (hereinafter referred to as the Programme), adopted by the Council of Ministers on July 5, 2011.

4.5.2. Form of support

Support is provided in the form of a grant on the basis of a bilateral agreement concluded between the Minister of Economy and the investor. The agreement lays down detailed conditions for the payment of the grant, which is paid proportionately to the degree of fulfilling investor’s commitments.

4.5.3. State aid

State aid offered under the *Programme* is consistent with the rules on the award of state aid in the EU, that is with the *Guidelines on national regional aid for 2007-2013* (Offi-

cial Journal of the European Communities C 54 of 4 March 2006, page 13) and *Commission Regulation (EC) no. 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty* (General Block Exemption Regulation) (Official Journal of the European Communities L 214 of 9 August 2008, page 3).

The state aid awarded under the *Programme* falls under the category of regional *ad hoc* aid and therefore it has to, as a general rule, be notified to the European Commission before it is granted. In the case when *ad hoc* aid only supplements the aid granted under regional investment and employment aid schemes (e.g. income tax exemptions in special economic zone) and does not exceed 50 % of the total amount of aid granted for a given investment, it is not subject to the mandatory notification.

4.5.4. Beneficiaries

Support can be applied for exclusively by entrepreneurs planning investments in the following priority sectors:

- automotive sector,
- electronic sector,
- aviation sector,
- biotechnology sector,
- modern services sector,
- research and development.

The *Programme* provides support for initial investments under the two following categories:

1. Support for creation of new job places (employment grant)

Sector	New jobs	and	Eligible costs of the new investment (m PLN)	Amount of aid
automotive, electronics, aviation, biotechnology	250		40	PLN from 3 200 PLN to 15 600
modern services	250		2	
R&D	35		3	(~ EUR 800 – EUR 3 900)
significant investment in other sectors	500		1 000	

The amount of employment grant depends, among others, on:

1) in case of manufacturing projects:

- the number of new jobs created,
- the percentage of employees with higher education,
- location,
- investment expenditures,
- sector,
- attractiveness of the products on the international markets;

2) in case of services projects:

- the number of new jobs created,
- the percentage of employees with higher education,
- location,
- complexity of processes provided by the company.

2. Support for new investment (investment grant)

Sector	New jobs and	Eligible costs of the new investment (m PLN)	Amount of aid
priority sectors	50	160	
significant investment in other sectors	500	1 000	2 - 10,5 % of eligible costs

The amount of investment grant depends, among others, on:

- the number of new jobs created,
- investment outlays per employee,
- location.

Under the Programme, aid is provided exclusively for investment projects whose completion in Poland is conditional on receiving a financial grant from the State budget.

The operator of the *Programme* and the authority granting state aid is the Minister of Economy. The Polish Information & Foreign Investment Agency (Polska Agencja Informacji i Inwestycji Zagranicznych S.A. – PAIIZ) is responsible for preparing and providing the Interministerial Committee for Foreign Investment (hereinafter referred to as the Committee) with the dossier of investment projects and for preparing all documents required to carry out the entire procedure of providing financial support.

Each project is subject to an individual assessment by the Committee on the basis of detailed criteria laid down in the *Programme*.

4.5.5. Procedure for the award of support

1. The investor submits to PAIIZ information on the planned project, using a standard form signed by persons authorized to represent the investor.
2. Information is evaluated by PAIIZ. PAIIZ provides the Chairman of the Committee with standard information about the project and a draft offer of financial support, with a justification.
3. The Committee takes up decision on recommended support for the project and submits recommendation to the Minister of Economy for the final decision on granting the support.
4. PAIIZ informs the investor of the Committee's recommendation. The Investor takes a decision on accepting or rejecting the offer.
5. After accepting the offer, the investor applies to the Minister of Economy for a letter of intent confirming that the investment may commence.

6. The Minister of Economy sends to the investor a letter of intent confirming that the investment may commence
7. Minister of Economy, as the authority awarding the aid, concludes with the investor an agreement on the award of a support.

The support granting procedure can be extended in case of companies applying for two or more instruments of regional aid (government grants and CIT exemption and / or grants co-financed from EU funds).



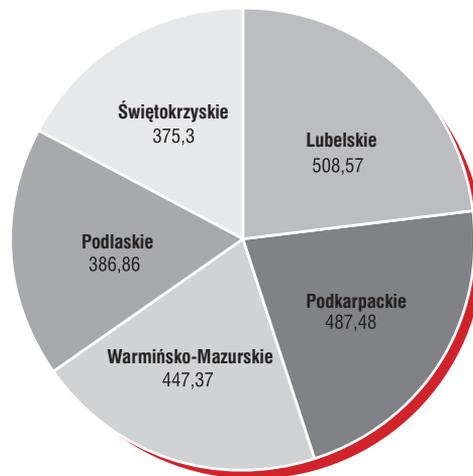
5. The EU structural funds

For the period of 2007-2013, Poland has been granted approximately € 67.3 billion under the EU Cohesion Policy. This means that in this period, Poland has been the greatest beneficiary of structural funds among all the EU states.

The above amount has been distributed in the following manner:

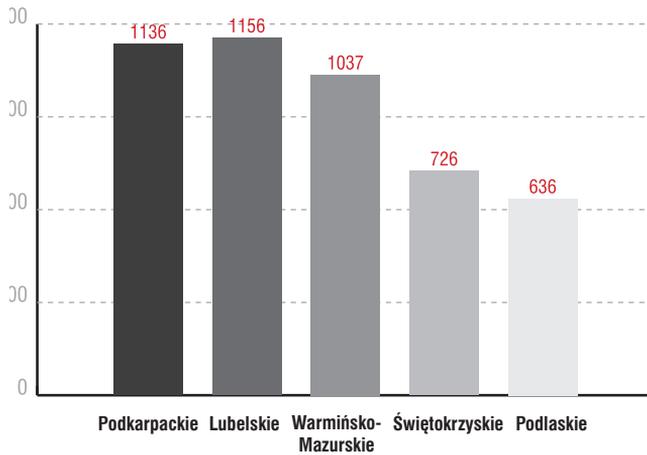
- 5 domestic Operational Programmes:
 - **the Infrastructure and Environment Programme:** 41.9% of the total amount (€ 27.9 billion),
 - **the Human Resources Programme:** 14.6% of the total amount (EUR 9.7 billion),
 - **the Innovative Economy Programme:** 12.4% of the total amount (€ 8.3 billion),
 - **the Eastern Poland Development Programme:** 3.4% of the total amount (€ 2.3 billion),
 - **the Technical Support Programme:** 0.8% of the total amount (€ 0.5 billion).
- 16 Regional Operational Programmes (RPO): 24.9% of the total amount (€16.6 billion),
- the European Territorial Cooperation Programmes: (€ 0.7 billion).

CHART 1. **Regional Operational Programmes for the voivodeships: Podkarpackie, Świętokrzyskie, Lubelskie, Podlaskie and Warmińsko-Mazurskie**



Source: European Commission

CHART 2. The EU allocation amount for Regional Operational Programmes in EUR mil.



Source: European Commission

5.1 Programmes addressed to Eastern Poland exclusively

5.1.1. The Eastern Poland Development Programme (PO RPW)

It aims at accelerating the pace of social-economic development of 5 voivodeships of Eastern Poland through economy development stimulation based on knowledge, extending access to broadband Internet, urban development and rail infrastructure improvement as well as tourism advancement.

5.2. Innovative investment subsidies

Innovative undertakings may count on support of domestic and regional programmes. Depending on the amount of qualified expenses, we may identify three sources of such support:

- New investments of a value over PLN 160 million – Operational Programme Innovative Economy, subaction 4.5.1 investment support in production sector;
- New investments of the value within PLN 8-160 million – Operational Programme Innovative Economy, action 4.4 New investments of high innovative potential;
- New investments of the value under PLN 8 million – Regional Operational Programmes.

5.3. Subsidies for research and development activity

The subsidies for this type of activity are covered by the Innovative Economy Operational Programme and regional operational programmes.

5.3.1. Types of projects supported for promoting R & D activity in the regions

These are projects concerning conducting or ordering research and putting its results into practice.

Entrepreneurs in the following voivodeships of Eastern Poland: the Lubelskie, Podlaskie, Podkarpackie and Warmińsko-Mazurskie, may apply for co-financing of projects consisting of two phases: research and implementation phase (based on commencement of production of a project prepared during a research phase). The costs of research phase (which may be commissioned to a specialized external institution) should not exceed **PLN 400 thousand**.

5.3.2. Projects for acquisition of assets for R & D activity

These are supported in all regions. The regional operational programme in the Podkarpackie, Podlaskie and Świętokrzyskie Voivodeships do not provide for any special actions regarding R&D projects, therefore

Foreign investors deciding to invest in Eastern Poland have a wide range of sources of financing at their disposal for various types of investment projects, both from national and regional operational programmes.

investors intending to undertake such a business activity attempt to win such assistance in innovative investment competitions.

5.4. Support for trainings

The Human Resources Programme (POKL) is the main source of co-financing for various trainings. Its objectives include, inter alia, development of employee and company adaption capabilities. The POKL is designed for regional and supra-regional projects.

New investments of a value under PLN 8 million – Regional Operational Programmes

Although these programmes support investments of lower financial value, it is their innovativeness that is of the greatest importance. Names and numbers of actions within particular operational programmes designed for innovative investment support vary depending on the Voivodeship (e.g. in the Podlaskie: action 1.4 Investment enterprise assistance), however, project types are very similar. The investments implementing innovations for products, processes or organization are supported. Most regional operational programmes are designed for small and medium-sized enterprises. Only the regional operational programme for the Warmińsko-Mazurskie Voivodeship also supports large enterprises.

TABLE 11. **New investments exceeding PLN 160 mil. – Innovative Economy Operational Programme, Sub-action 4.5.1 Production Sector Investment Support**

type of investment	new investments of innovative character (e.g. innovative technologies and products) concerning purchase or implementation of such technological solution which has been used worldwide for not longer than 3 years or its international spreading rate does not exceed 15%
qualified costs amount	minimum PLN 160 mil.
minimum employment	150 people
assistance rate	30%
assisting authority	Ministry of Economy
remarks	competition announcement in 2011 depends on availability of means in action that will be known after obtaining results of the competition ended on 2 November 2010

TABLE 12. **New investments of a value ranging PLN 8-160 mln. – Innovative Economy Operational Programme, Action 4.4 New investments of high innovation potential**

type of investment	new investments of innovative character but purchased or implemented technology has been used worldwide for at least 3 years on condition that its international spread does not exceed 15%
qualified costs amount	not less than PLN 8 mil. but not exceeding PLN 160 mil.
assistance rate	<ul style="list-style-type: none"> • investment part: 30%–70%, max. PLN 40 mil. • training part: 25%–45%, max. PLN 1 mil. • counseling part: 50%, max. PLN 1 mil.
instyassisting authority	Polish Agency for Enterprise Development
remarks	competition announcement in 2011 depends on increased allocation in this activity

TABLE 13. Grants for activity in the R&D sector

type of investment	Innovative Economy Operational Programme, action 1.4 targeted projects support (co-financing of project concerning technical, technological or organizational undertakings for industrial research and developmental works, conducted by entrepreneurs)
qualified costs amount	qualified costs amount in the Eastern Poland Voivodeships: the Lubelskie, Podlaskie, Warmińsko-Mazurskie and Podkarpackie, may not be lower than PLN 400 thousand
assistance rate	50% for industrial research (60% for medium and 70% for small enterprises) 25% for developmental works (60% for medium and 70% for small enterprises) max. EUR 7.5 mil
assisting authority	Polish Agency for Enterprise Development
remarks	for 2011, two application rounds have been planned (competition announcement in February and August). The budget for both competitions is almost PLN 400 mil.

TABLE 14. Assistance from Human Resources Operational Programme

	Regional projects	Over-regional projects
Name	8.1.1 Support for professional qualification development and enterprise counseling	2.1.1 Human resources development in enterprise
Aim	general and specialized training and counseling connected with trainings for managerial personnel and enterprise employees; counseling for small and medium companies	support for trainings, counseling services and post-graduate studies
Addressee	entities or groups having organizational structures in at least 2 voivodeships	entrepreneurs seated in Poland and their employees
Range	participants of trainings working within enterprise organizational structures located in at least 2 voivodeships	participants of trainings working within enterprise organizational structures located in 1 voivodeship
Minimum project value	PLN 400 thousand	PLN 50 thousand
Okres trwania	up to 2 years	up to 3 years
Assisting institution	Offices of the Marshals (Podkarpackie Voivodeship: Voivodeship Employment Office; the Świętokrzyskie: the Świętokrzyskie Regional Development Bureau).	Polish Agency for Enterprise Development

TABLE 15. Level of grants for trainings

Enterprise size	type of training		counseling
	general	specialized	
large	60%	25%	up to 100% within <i>de minimis</i>
medium	70%	35%	
small	80%	45%	

Chapter VI

Business information sources



Regional Investor Assistance Centres (COI)

They are partners of the Polish Information and Foreign Investment Agency (PAIIZ) at the regional level. The Centres provide consultancy and information services for business entities considering investment projects in a particular area. COIs also provide dedicated service and investment guidance, including post-investment support within the voivodeship where the project is located. The network of COIs has been created in conjunction with the Marshals of Voivodeships and Regional Development Agencies who are statutorily responsible for economic promotion of the region.

THE LUBELSKIE VOIVODESHIP

Lubelskie Voivodeship Marshal Office
Department of Economy and Innovation
Trade Promotion and Investment Unit
Investor Assistance Centre
Stefczyka 3
20-151 Lublin
tel. +48 (81) 537 16 21
fax +48 (81) 537 16 37
e-mail: coi@lubelskie.pl
www.invest.lubelskie.pl

THE PODLASKIE VOIVODESHIP

Office of the Marshall of the Podlaskie Voivodeship
Investor Assistance Centre
Kardynała S. Wyszyńskiego 1
15-888 Białystok
tel. +48 (85) 749 74 95
fax +48 (85) 749 74 40
e-mail: coi@wrotapodlasia.pl
www.wrotapodlasia.pl

THE PODKARPACKIE VOIVODESHIP

Rzeszów Regional Development Agency S.A.
Inward Investment Centre
Szopena 51
35-959 Rzeszów
tel. +48 (17) 852 43 76
fax +48 (17) 852 43 74
e-mail: coi@rarr.rzeszow.pl
www.coi.rzeszow.pl

THE ŚWIĘTOKRZYSKIE VOIVODESHIP

Office of the Marshall of the Świętokrzyskie Voivodeship
Regional Policy Department
Investor Assistance Centre
Sienkiewicza 63
25-002 Kielce
tel. +48 (41) 365 81 90
fax +48 (41) 365 81 91
e-mail: coi@sejmik.kielce.pl
<http://www.sejmik.kielce.pl/the-investor-assistance-center-23178.html>

THE WARMIŃSKO-MAZURSKIE VOIVODESHIP

Warmia and Mazury Investor Service Center
Warmia and Mazury Regional Development Agency
Joint Stock Company in Olsztyn
Gen. Józefa Bema 3
10-516 Olsztyn
tel. +48 (89) 521 12 50
fax +48 (89) 521 12 60
e-mail: office@investinwarmiaandmazury.pl
www.investinwarmiaandmazury.pl



Investor Assistance Offices (BOI)

The Offices, based in City Councils, undertake actions to stimulate the city's economic activity. They provide direct support and assistance to investors who wish to locate their investment projects in a given municipality. They also draw up and update the city's investment offer by cooperating with other local government units.

THE LUBELSKIE VOIVODESHIP

Municipal Office of Lublin Investor Assistance Office

Litewski 1, pok. 104
20-080 Lublin
tel. +48 (81) 466 25 00
fax +48 (81) 466 25 01
e-mail: inwestorzy@lublin.eu
www.gospodarka.lublin.eu

THE WARMIŃSKO-MAZURSKIE VOIVODESHIP

Municipal Office of Olsztyn Strategy and City Development Office

Jana Pawła II 1
rooms 222, 223A, 223B
10-101 Olsztyn
tel./fax +48 (89) 523 64 30
tel. +48 (89) 527 31 11
e-mail: strategia@olsztyn.eu

THE PODKARPACKIE VOIVODESHIP

Municipal Office of Rzeszów Department of Promotion and International Cooperation

Rynek 11
35-064 Rzeszów
tel./fax +48 (17) 875 47 42
fax +48 (17) 875 47 47
e-mail: promocja@erzeszow.pl

THE PODLASKIE VOIVODESHIP

Municipal Office of Białystok Investor Assistance Office

Słonimska 1
15-950 Białystok
tel. +48 (85) 869 60 28
e-mail: b.in@um.bialystok.pl

THE ŚWIĘTOKRZYSKIE VOIVODESHIP

Municipal Office of Kielce Department of Economy Management Activation

Strycharska 6
25-659 Kielce
tel. +48 (41) 367 63 56, +48 (41) 367 65 57
fax +48 (41) 367 65 52
e-mail: coi@um.kielce.pl



Regional Development Agencies (ARR)

The Agencies provide consultancy and advisory services, identify the needs of businesses, define the nature and scope of assistance required, and determine available support instruments. They provide information on current subsidy programmes and eligibility requirements, promote programmes addressed to businesses, collect and evaluate applications for subsidies and forward them to the Polish Agency for Enterprise Development (PARP).

THE LUBELSKIE VOIVODESHIP

Biłgoraj Regional Development Agency

Kościuszki 65
23-400 Biłgoraj
tel. +48 (84) 686 48 87
fax +48 (84) 686 53 93
e-mail: biuro@barr.org.pl
www.barr.org.pl

THE PODKARPACKIE VOIVODESHIP

Rzeszów Regional Development Agency

Szopena 51
35-959 Rzeszów
Information on duty: additionally the office provides duty hours in the following towns: Rzeszów, Strzyżów
tel./fax +48 (17) 852 43 76, +48 (17) 852 43 74
e-mail: pk@rarr.rzeszow.pl
www.rarr.rzeszow.pl/uslugi/punkt-konsultacyjny
www.rarr.rzeszow.pl/en

THE LUBELSKIE VOIVODESHIP

Lublin Development Foundation

Rynek 7
20-111 Lublin
tel. +48 (81) 528 53 00
fax +48 (81) 528 53 04
e-mail: lfr@lfr.lublin.pl
www.lfr.lublin.pl

THE PODKARPACKIE VOIVODESHIP

Tarnobrzeg Regional Development Agency

Marii Dąbrowskiej 15
39-400 Tarnobrzeg
tel. +48 (15) 822 61 87
fax +48 (15) 823 19 52
e-mail: tarr@tarr.pl
www.tarnobrzeg.pl/gospodarka/tarr.html

THE PODKARPACKIE VOIVODESHIP

Regional Development Agency MARR Regional Consultation Office

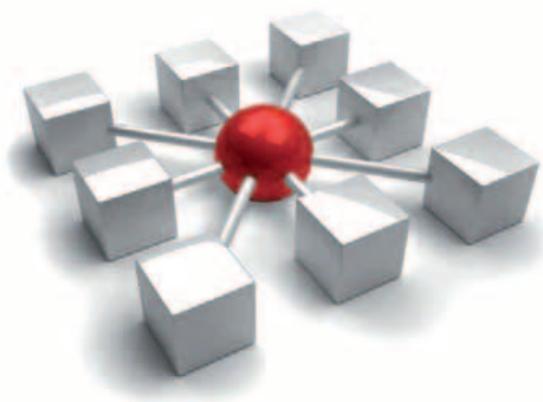
Chopina 18
39-300 Mielec
tel. +48 (17) 773 82 56
fax +48 (17) 788 32 62
e-mail: marr@marr.com.pl
www.marr.com.pl

THE PODKARPACKIE VOIVODESHIP

Przemyśl Regional Development Agency

Ks. Piotra Skargi 7/1
37-700 Przemyśl
Information on duty: additionally the office provides duty hours in the following towns: Lubaczów, Jarosław
tel. +48 (16) 675 16 64
fax +48 (16) 676 09 86
e-mail: info@parr.pl
www.parr.pl





**THE ŚWIĘTOKRZYSKIE VOIVODESHIP
Foundation – Regional Development Agency
in Starachowice (FARR)**

Mickiewicza 1A
27-200 Starachowice
tel. +48 (41) 274 46 90
fax +48 (41) 274 04 09
e-mail: farr@farr.pl
www.farr.pl

**THE PODLASKIE VOIVODESHIP
Regional Development Agency ARES in Suwałki**

Noniewiczza 42 A
16-400 Suwałki
tel. +48 (87) 566 70 35, +48 (87) 566 61 06
fax +48 (87) 566 74 97
e-mail: arrares@ares.suwalki.pl
www.ares.suwalki.pl

**THE ŚWIĘTOKRZYSKIE VOIVODESHIP
Chamber of Industry and Commerce Staropolska**

Sienkiewiczza 53
25-002 Kielce
tel. +48 (41) 344 43 92
fax +48 (41) 368 02 21
e-mail: sekretariat@siph.com.pl
www.siph.com.pl
www.siph.com.pl/eng/Glowna

**THE PODLASKIE VOIVODESHIP
Podlaska Regional Development Foundation (PRDF)**

Starobojarska 15
15-073 Białystok
tel. +48 (85) 740 86 83
fax +48 (85) 740 86 85
e-mail: pfr@pfr.pl
www.pfr.pl
www.pfr.pl/123.page

**THE WARMIŃSKO-MAZURSKIE VOIVODESHIP
Development Agency in Działdowo**

Wł. Jagiełły 15
13-200 Działdowo
tel. +48 (23) 697 06 66
fax +48 (23) 697 06 67
e-mail: darsa@darsa.pl
www.darsa.pl

**THE WARMIŃSKO-MAZURSKIE VOIVODESHIP
Regional Development Agency in Warmińsko-
Mazurskie Voivodeship in Olsztyn**

Gen. Józefa Bema 3
10-516 Olsztyn
tel. +48 (89) 521 12 50
fax +48 (89) 521 12 60
e-mail: wmarr@wmarr.olsztyn.pl
www.wmarr.olsztyn.pl
www.wmarr.olsztyn.pl/s/index.php?lang=en

Special Economic Zones (SSE)

Special Economic Zones (SSE) are separated administrative areas in Poland in which business activity is conducted on preferential terms. The entrepreneurs locating their investments within the SSE may use public assistance granted in the form of income tax exemptions on account of: costs of new investment or establishing new places of work. The maximum amount of such assistance depends on the intensity of help designed for a particular area and the qualified costs.

Suwalska Special Economic Zone

Noniewiczza 49
16-400 Suwałki
tel. +48 (87) 565 22 17
fax +48 (87) 565 22 17
e-mail: ssse@ssse.com.pl
www.ssse.com.pl
www.ssse.com.pl/EN/index.php

Starachowice Special Economic Zone

Radomska 29
27-200 Starachowice
tel. +48 (41) 275 41 01
fax +48 (41) 275 41 02
e-mail: sse@sse.com.pl
www.sse.com.pl

Tarnobrzaska Special Economic Zone Euro-Park Wisosan

Zakładowa 30
39-400 Tarnobrzeg-Machów
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fax +48 (15) 823 47 08
e-mail: biuro@tsse.pl
www.tsse.pl
www.tsse.pl/en/

Warmińsko-Mazurska Special Economic Zone

Kasprowicza 1
10-219 Olsztyn
tel. +48 (89) 535 02 41
fax +48 (89) 535 90 02
e-mail: wmsse@wmsse.com.pl
www.wmsse.com.pl
www.wmsse.com.pl/index.php/en

Special Economic Zone Euro-Park Mielec

Partyzantów 25
39-300 Mielec
tel. +48 (17) 788 72 36
fax +48 (17) 788 77 69
e-mail: europark@europark.com.pl
www.europark.com.pl
www.europark.com.pl/en/



Industrial and Technological Parks

These are created for the purpose of promoting local and regional economy through supporting entrepreneurship, innovations and transfer of technology. They provide technical infrastructure and services with regard to counselling regarding enterprise establishment and development, transfer of technology and commercialization of scientific research results.

THE LUBELSKIE VOIVODESHIP

Lublin Science and Technology Park

Dobrzańskiego 3

20-262 Lublin

tel. +48 (81) 534 61 00, +48 (81) 440 87 57

fax + 48 (81) 531 85 48

e-mail: biuro@lpnt.pl

www.pntwl.lublin.pl

www.pntwl.lublin.pl/en

Puławy Science and Technology Park

Tysiąclecia Państwa Polskiego 13

24-110 Puławy

tel. +48 (81) 565 30 00

fax +48 (81) 565 28 56

e-mail: ppp@azoty.pulawy.pl

www.park-pulawy.pl

Świdnik Regional Industrial Park

Lotników Polskich 1

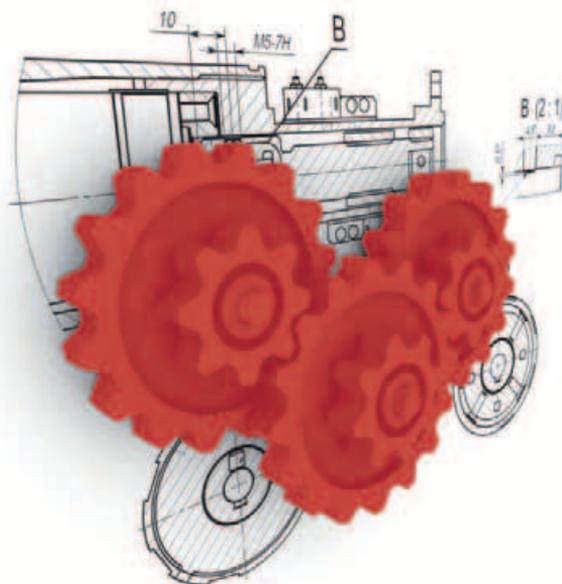
21-045 Świdnik

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fax +48 (81) 722 66 52

e-mail: biuro@park.swidnik.pl

www.park.swidnik.pl



THE PODKARPACKIE VOIVODESHIP

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