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Aviation sector in Eastern Poland

■ size and structure ■ development centres ■ success story ■ sector potential ■

Aviation sector in Eastern Poland

1. Potential of Eastern Poland

Eastern Poland is a macroregion that covers 31.7% (99,037 km²) of Poland's area and is home to 21.4% (8,238,200 people) of the country's population. It consists of five voivodeships: Lubelskie, Podkarpackie, Podlaskie, Świętokrzyskie and Warmińsko-Mazurskie. Due to its location along Poland's eastern border, this macroregion is particularly unique and attractive to investors. Actually, it is the most eastern part of the European Union which borders directly with Russia, Belarus and Ukraine. Thanks to the excellent geographical location in the trans-border zone and the long-standing close economic relations between the enterprises and local governments from Eastern Poland and the enterprises and local governments from Russia, Ukraine and Belarus, this macroregion may become the platform for cooperation between companies from the European Union and the former Soviet Union countries.

Eastern Poland is a macroregion of young (more than 29% of its population are under 25 years of age) and educated (there are 76 higher education institutions with over 306 thousand students) people. Considering the fact that wages in Eastern Poland are 15% lower compared with other parts of Poland, it is this region that creates excellent climate for investors to set up businesses and make investments. Eastern Poland's investment potential is additionally strengthened by the business infrastructure. There are five Special Economic Zones in this macroregion, which offer income tax exemptions for potential investors. Science and technology parks help promote cooperation between business and scientific circles. Equally important is a system of investment incentives. Investors can count not only on additional funds from government subsidies (so-called multiannual programmes) but also on support available through national and regional operational programmes, and local tax reliefs. Potential investors can also obtain funds under the Operational Programme 'Development of Eastern Poland', which is specifically aimed at the 5 voivodeships of Eastern Poland.

MAP 1 Eastern Poland Voivodeships



Source: Own compilation on the basis of the administrative division of Poland

Due to the region's location, resources, natural conditions and tradition, the particularly strongly in Eastern Poland: BPO, construction, chemical, wood and furniture, renewable energy sources, logistic, aviation, engineering, metallurgical, clothing, food, and business tourism industries.

TABLE 1 The structure of local government in Eastern Poland

| Voivodeship: | Lubelskie Voivodeship | Podkarpackie Voivodeship | Podlaskie Voivodeship | Świętokrzyskie Voivodeship | Warmińsko-Mazurskie Voivodeship |
|-------------------------------|-----------------------|---------------------------------|---------------------------|---|---------------------------------|
| poviats | 24 | 25 | 17 | 14 | 21 |
| rural gmina | 171 | 114 | 82 | 71 | 67 |
| urban gmina | 42 | 45 | 36 | 31 | 49 |
| towns with powiat rights | 4 | 4 | 3 | 1 | 2 |
| biggest towns (by population) | Lublin, Chełm, Zamość | Rzeszów, Przemyśl, Stalowa Wola | Białystok, Łomża, Suwałki | Kielce, Ostrowiec Świętokrzyski, Starachowice | Olsztyn, Elbląg, Ełk |

Source: Own compilation on the basis of the administrative division of Poland

2. Aviation sector in Poland



The beginnings of Polish aviation sector date back to before I World War. The first aircraft manufacturing plant in the Polish territory was established by Aviana operating under a license of Farman in 1910. After 1918 and after Poland regained its independence, the Central Aviation Workshops (1918), Plage & Miśkiewicz company (1920), Podlaskie Aviation Manufacturing Plant and Samolot company (both in 1923) were established among others. The first state aircraft manufacturing plant was PZL – State Aviation Works established in 1928 and replacing the former Central Aviation Workshops. Initially, the Polish manufacturing plant produced airplanes under a French license of the Proteza (Podlaskie Aviation Manufacturing Plant) and Wibault companies (PZL).

In 1929, on the basis of five aviation companies operating in the aerial transport, LOT Polish Airlines were established (in 1930 the company became the IATA Member and launched its services as an international carrier). The main stimulating factors of the aviation industry in Poland in this period included an increasing popularity of air transport and the need for the Polish army to modernize. At that time the designs of Polish airplanes, such as “Łoś” bomber or P fighter with characteristically V-shaped wings, were developed and they gained popularity abroad. Just before the outbreak of II World War, PZL works owned three manufacturing plants – two in Warsaw (construction of airplanes and engines under the license of Bristol-based company) and one in Mielec manufacturing airplane parts. The inter-war period was also the time of dynamically growing popularity of aviation in Poland, thanks to, inter alia, the successes of Polish aviators in the international competitions such as 1936 Challenge International or flight over the Atlantic Ocean from Senegal to Brazil (both these successes were possible thanks to Polish RWD airplanes).

World War II completely destroyed the operations of Polish aviation industry, which made it necessary to reconstruct it from scratch. This process was commenced with the establishment of a network of plants named WSK – Transport Equipment Manufacturing Plant, which manufactured equipment and machineries used in various transport sectors (from bikes to helicopters and airplanes). The following plants were established:

- WSK Warsaw (on the basis of former PZL) constructing sports, training, agricultural and multi-task airplanes (among others, the most popular PZL 104 – Wilga and PZL 106 Kruk)
- WSK Świdnik established in 1951 on the basis of the Podlaskie and Lubelskie Aviation Manufacturing Plants (in 1958 the company launched the construction of Mi-1 and Mi-2 helicopters produced under the Soviet license; since 1980 – construction of W-3 Sokół and parts to passenger airplanes Il and An)
- WSK Mielec (on the basis of PZL Mielec works), which manufactured the An-2 airplanes, MIG-14 and MIG-17 jet airplanes under the Soviet license and since the sixties their own training airplanes – TS-11 Iskra and M-15 Belfegor (the only agricultural jet airplane and the only jet biplane in the world).
- WSK Kalisz, established in 1946, manufacturing different engines to MIG-15 and MIG-17 jets since 1952.
- WSK Rzeszów established on the basis of PZL Rzeszów, which produced jet aircraft engines for MIG-15 and MIG-17.

Apart from the construction of agricultural airplanes, the other Polish specialization at that time was manufacturing of gliders at the Special Experimental Workshops (SZD) in Bielsko-Biała.

2.1. Sector size and structure

Total value of the aviation sector turnover in Poland, including all the enterprises operating in the sector and involved in the manufacture 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 time 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 decline in the number of commissions for new airplanes and helicopters, parts and components for them. In 2009 the companies delivered the contracts which had been won in preceding years. In years 2010-2011 output in the sector production rose again, and by the end of 2011 the number of orders grew twofold in comparison to 2010.

It needs to be noted that approx. 90% of the entire manufacturing in the aircraft industry in Poland is exported (mostly parts and components for the world's sales network of the global leaders, such as Boeing, Europter, Augusta and EADS) compared 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.

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 of 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.

2.2. Description of the sector

Aviation industry is one of the most advanced branches of the 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 need of the aviation cluster and aviation industry in Poland. It referred to, inter alia, technologies of manufacturing metal components for propulsion units and transmission as well as landing gear and equipment, the technologies used in

the manufacture of components 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 a project i.e. university + enterprise, oftentimes increases the opportunities of acquiring financial aid for the project. However, cooperation of the aviation enterprises with local high schools is of 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 emphasising that there are three specialized technical high schools operating in Poland and educating students in the professions related to the aircraft industry and aviation.

2.3. Description of the sector development centres

The transformation of the Polish economy which occurred after 1989 and the introduction of the principles of market economy influenced the structural changes of the aircraft industry. The sector consists of enterprises established as a result of a transformation of WSK enterprises (mostly through privatization), enterprises remaining the sole or partial property of the State Treasury and enterprises established as a result of direct foreign investments. Those are chiefly large enterprises, accompanied by a group of SME's.

Record year for aircraft producers

In 2011, Polish aviation industry manufactured 1011 airplanes. For aircraft producers it was a record year, both in respect of production volume, and the number of orders, which in comparison to 2010 grew twofold.

TABLE 2. 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 %) |
|---------------------------------|-----------|-----------|-----------|-----------|----------------------------|
| total revenues in PLN thousands | 1 030 054 | 1 464 116 | 1 664 206 | 2 056 087 | +99.6 |
| net profit in PLN thousands | 16 422 | 55 713 | 108 667 | 74 436 | +353.3 |

Source: Own compilation on the basis of the Central Statistical Office data 2003–2008.

3. Aviation sector in Eastern Poland

3.1. Sector size and structure

As much as 90% of Polish aircraft industry is concentrated in Eastern Poland. In May 2009 a green-field 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 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 Papiorek. They are mostly situated in the Podkarpackie Voivodeship and around Bielsko-Biała.

3.2. Success story

3.2.1. 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.

3.2.2. 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.

3.2.3. 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.

MAP 2. Location of the main aircraft industry enterprises in Eastern Poland



Source: Own compilation on the basis of www.paiz.gov.pl

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 subassemblies have been also exported to Japan for many years. The manufacturing plant of Goodrich in the Podkarpace acquired commissions to manufacture several elements of landing gears for European Airbus A380.

Bielsko-Biala plants of the Italian company – Avio, which has so far been manufacturing turbine vanes, will also manufacture important components of the latest engines for Boeing airplanes. In May 2009 a newly-founded manufacturing plant of German MTU Aero Engines, the world tycoon in the design and production of aircraft propulsion was launched. The participation of the two largest enterprises from Eastern Poland – WSK PZL Rzeszów and PZL Świdnik in the sectoral turnover amounts to approx. 38%. Along with the third and fourth largest enterprise in the Polish aviation sector – Pratt&Whitney and PZL Mielec – they hold a share of more than 50% of the turnover of the entire industry. The image of enterprises is complemented by a group of Polish SME's, including among others Aero-Kros, Aero AT, Margański&Mysłowski i Wytwórnia Konstrukcji Kompozytowych (Composite Constructions Manufacturing Plant) Andrzej Papiorek. They are mostly situated in Podkarpackie Voivodeship and around Bielsko-Biala.

3.3. Clusters, organizations and supporting associations

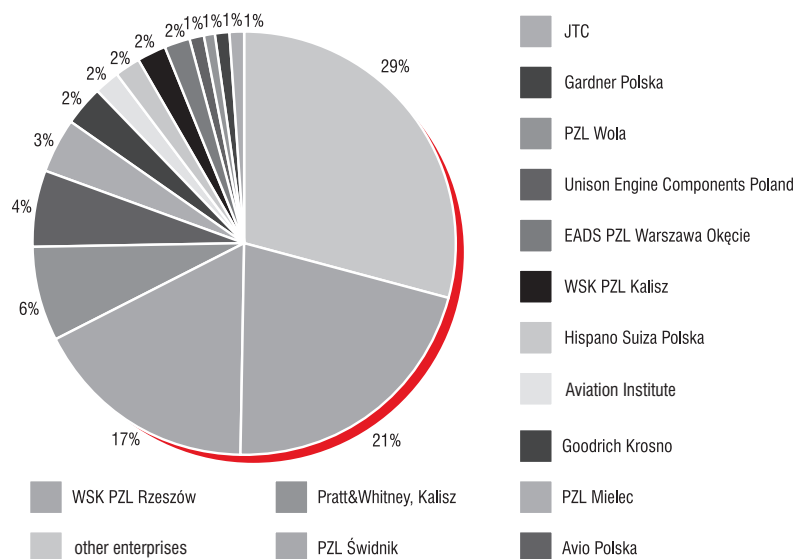
The main association of the Polish aviation sector is the Aviation Valley cluster.

3.3.1 Aviation Valley Aircraft Manufacturers Association

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 transform 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,

CHART 1. Market share of the largest aircraft industry enterprises, 2008



Source: PMR Research, 2008

- 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 nearly 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.

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.

Operation of the aviation sector and enterprises operating in it and in the widely understood aviation in Poland has also been supported by other organizations.

3.3.2 Aeronet Advanced Technologies Centre – Aviation Valley Center – 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

MAP 3: Aviation Valley



Source: Own study on the basis of www.dolinalotnicza.pl, 2012

Valley and five universities conducting research on the technologies of importance for development of the aircraft industry in Poland.

3.3.3 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 in-

dustry on the basis of joint and flexible manufacturing management, formalization of technical and manufacturing cooperation between the network participants, providing 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.

3.3.4 Polish Aircraft Industry Association

The Polish Aircraft Industry Association was established in 2004 to support aircraft industry, to develop research, skills and abilities in the field of aviation, to foster cooperation and development of aircraft industry and universities that will promote new concepts and develop the R&D sector of the aircraft industry and promote Polish aircraft industry. This non-profit organization currently includes 31 aircraft industry companies and institutions (5 R&D institutions, 14 large enterprises and 12 SME's), employing approx. 13.8 thousand people.

3.3.5 Polish Aviation Promotion Association

The Polish Aviation Promotion Association was established in 1997 to promote Polish aviation in Poland and abroad.

3.4. Development prospects

Despite currently difficult situation on the global aviation market, both long- and short-term development forecasts for this sector are highly positive. According to the report prepared by Airbus, the global market demand within the next 20 years global market will be 25 thousand. The greatest demand for the new airplanes will be recorded on developing markets, in particular in Asia and Pacific Region. The aviation sector in Eastern Poland is strictly related to the global industry, due to which global trends will also influence the Polish market. Large enterprises, which have been previously manufacturing final airplanes, will transit into manufacture of parts and components. Their condition will depend on the performance of their parent companies. In the years 2003–2008 the 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.

Aircraft industry in Eastern Poland includes:

- 1100 years of aviation history,
- 70 years of aircraft industry history,
- 90% of Polish production in the aircraft industry,
- low labour costs and production costs,
- more than 25 thousand skilled employees,
- Rzeszów University of Technology with well-developed Machine Construction and Aviation Faculty,
- investor-friendly business environment,
- low corporate income tax (CIT),
- centrally situated international airport (Rzeszów-Jasionka),
- main A4 highway connecting south-eastern Poland with its south-western,
- part, constituting a part of the Trans-European Transport Corridor.

4. Investment incentives – state aid

In accordance with the map of the regional state aid, investors embarking on new ventures in Eastern Poland may count on the highest possible level of support that can be obtained from the European Union. They can receive, from various sources, support equal to 50% of the new project's eligible costs (in the case of SMEs, the support may be increased up to 70% and 60% respectively).

Poland offers an attractive system of investment incentives designed to back up new investments in the regions. It consists primarily of the following:

- income tax exemption in Special Economic Zones;
- property tax exemption;
- targeted subsidies from the state budget;
- financial grants from the EU structural funds.

All these forms of investment incentives are linked, as a rule, with granting state aid in the form of regional investment aid.

4.1. Regional investment aid

Regional investment aid is allocated to the so-called **initial investment** consisting in an investment in tangible and intangible assets related to:

- establishment of a new enterprise;
- expansion of an existing enterprise;
- diversification of production through introduction of new, additional products;
- substantial change in the production process of an existing enterprise.

Tangible assets – include land, buildings, structures and equipment.

Intangible assets – assets related to transfer of technologies by way of acquisition of patent rights, licenses, know-how or unpatented technical knowledge. Replacement investment is not considered a new investment.

Regional investment aid is calculated in two ways:

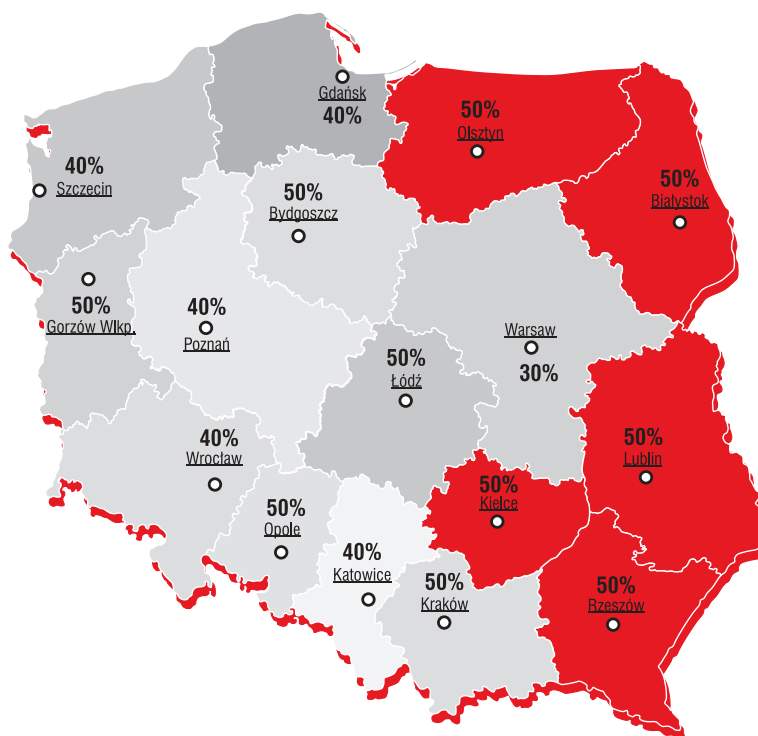
- by reference to capital expenditure incurred
- or by reference to two-year employment costs for newly created jobs (gross salary costs and the costs of social security contributions).

Creation of new jobs – means the net employment growth at the enterprise, compared with the average figure from the previous 12 months.

4.2. Incentive effect

Eligibility of regional aid depends on the so-called **incentive effect**. Aid is considered to have an incentive effect if, before work on the investment project has started, the beneficiary submits an application for the aid and, in the case of aid

MAP 4. Regional aid map for 2007–2013



Source: Own compilation based on the MRD's data, 2010

granted to large enterprises, it must be demonstrated that the aid will result in:

- material increase in the size, scope or the total amount spent by the beneficiary on the project;
- material increase in the speed of completion of the project.

The incentive effect is also fulfilled if, in the absence of the aid, the project would not have been completed in this particular region (e.g. in a country other than Poland).

4.3. Rules on state aid

Maximum eligible regional aid per one investment project is the product of its intensity in the region (see the regional aid map) and eligible costs: capital expenditure or two-year employment costs – if aid is granted for creation of new jobs [map 4].

In the case of large investment projects (if eligible costs exceed EUR 50 million), the mechanism is

applied to limit the maximum eligible regional aid, according to the formula:

$$\text{maximum amount of aid} = R \times (50 + 0.50B + 0.34C),$$

where: **R** – aid intensity in accordance with the regional aid map; **B** – eligible costs between EUR 50 and 100 million; **C** – eligible costs above EUR 100 million.

For the period of 2007–2013, the following are the costs eligible for regional aid:

- expenditure on land, buildings and structures and machinery/equipment;
- in the case of SMEs, the costs of preparatory studies and consultancy services related to the investment (up to 50% of all actually incurred costs);
- costs associated with the acquisition of assets other than land, buildings/structures, covered by rental or lease in the form of a finance lease (for at least 5 or 3 years in the case of SMEs) with the purchase commitment upon the expiry of the lease or rental;
- costs of investments in intangible assets, on the provision that in the case of large enterprises, they are taken into account up to 50% of total eligible expenditure.

In the case of projects implemented by large enterprises, new assets should be acquired.

An entrepreneur receiving regional aid (regardless of its form) must ensure sustainability of the project to which the aid was allocated. This implies an obligation to maintain the investment project for at least 5 years, and in the case of small and medium-sized enterprises (further also referred to as SME's) for at

least 3 years after the project completion. Where the aid is provided in connection with creation of new jobs as a result of a new investment, then such jobs must be maintained for at least 5 years (or 3 years in the case of SME's), from the date of creation. New jobs should be created within 3 years of the investment completion.

4.4. EU structural funds

For the years 2007–2013 Poland has been granted approximately EUR 67.3 billion under the Cohesion Policy of the European Union. In other words, in the above-mentioned programming period, Poland is the biggest beneficiary of all EU member states.

The amount has been distributed among 5 National Operational Programmes:

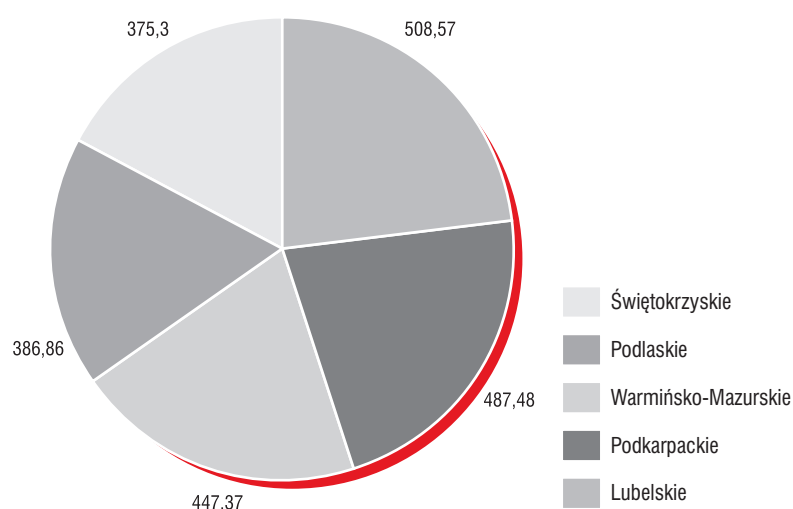
- Infrastructure and Environment – 41.9% of the total funds (EUR 27.9 billion);
- Human Capital – 14.6% of the total funds (EUR 9.7 billion);
- Innovative Economy – 12.4% of the total funds (EUR 8.3 billion);
- Development of Eastern Poland – 3.4% of the total funds (EUR 2.3 billion);
- Technical Assistance – 0.8% of the total funds (EUR 0.5 billion).

The funds granted to Poland under the EU Cohesion Policy have also been distributed among 16 Regional Operational Programmes (ROPs) – 24.9% of the total funds (EUR 16.6 billion) and the Programme of the Objective 'European Territorial Cooperation' (EUR 0.7 billion).

4.5. Programmes targeted exclusively at Eastern Poland

The Development of Eastern Poland Operational Programme (DEP OP) aims at accelerating the pace of social and economic development of 5 voivodeships of Eastern Poland through stimulation of knowledge-based economy, improvement of access to broadband Internet, development of selected metropolitan functions of voivodeship cities, improvement of railway infrastructure and development of tourism [chart 2].

CHART 2. Total amount (in EUR million) broken down by individual voivodeships within the ROP framework



Source: European Commission

5. Structural funds of the European Union for 2007–2013

Within the framework of funds allocated for the implementation of the European Union regional policy in Poland during 2007–2013 (realized by 2015) direct investment aid is available to entrepreneurs under:

1. Innovative Economy Operational Programme (all-Poland programme).
2. Development of Eastern Poland Operational Programme (5 voivodeships of Eastern Poland).
3. Regional Operational Programmes of individual Voivodeships: the Warmińsko-Mazurskie, Podlaskie, Lubelskie, Świętokrzyskie and Podkarpackie.
4. Human Capital Operational Programme (all-Poland and individual voivodeships).
5. Rural Development Programme.

5.1. Innovative Economy Operational Programme (IE OP)

IE OP Measure 1.4 Support for goal-oriented projects

Beneficiaries: businesses planning the research to invent new products (services) or improve the existing ones.

Supported projects: preparation of the documents necessary to market new products (services).

Intensity and amount of support:

For large enterprises:

- grants for industry-related research – up to 50% of eligible expenditure;
- grant for development work – up to 25% of eligible expenditure.

For other enterprises:

- grants for industry-related research – up to 70% of eligible expenditure;
- grant for development work – up to 45% of eligible expenditure;
- amount of co-financing – up to **EUR 5 million**;
- total amount of the project up to **EUR 50 million**.

Institution: Polish Agency for Enterprise Development (www.parp.gov.pl).

IE OP Measure 4.1 Support for the implementation of the outcome of R&D work

Beneficiaries: enterprises continuing R&D work which already received support under Measure 1.4 of the Programme in the form of implementations.

Supported projects: practical application of the outcome of research work at the enterprise so as to im-

prove the existing products or introduce new products (goods or services).

Intensity and amount of support:

- micro-sized and small enterprises – up to 70%;
- medium-sized enterprises – up to 60%;
- large enterprises – up to 50%;
- project amount – up to **EUR 50 million**;
- amount of support – up to **PLN 20 million**.

Institution: Polish Agency for Enterprise Development (www.parp.gov.pl).

IE OP Measure 4.2 Stimulating R&D activities of enterprises and support in the area of industrial design

Beneficiaries: small and medium-sized enterprises which conduct business activity and have their registered location, and – in the case of entrepreneurs being natural persons – the place of residence in the territory of the Republic of Poland.

Supported projects: development of R&D activity of enterprises, support in the area of development of an industrial design or a utility model and implementation thereof in the production process.

Amount of support:

- in the area of design:
 - investment-related part – **PLN 21 million**;
 - training-related part – **PLN 1 million**;
 - consultancy-related part – **PLN 600 000**;
 - entrepreneurs in the road transport sector – **EUR 100 000**.
- in the area of increasing the R&D potential:
 - investment-related part – **PLN 1.4 million**;
 - training-related part – **PLN 100 000**;
 - consultancy-related part – **PLN 100 000**.

Institution: Polish Agency for Enterprise Development (www.parp.gov.pl).

IE OP 4.3 Technology Credit

Beneficiaries: micro-, small and medium-sized enterprises planning the implementation of own or acquired new technology and commencement of production of new or considerably improved goods, processes or services created with the use of this technology.

Supported projects: investments in implementation of new technologies by granting technology credit to the SMEs, with an option of partial repayment from the Technological Credit in the form of technological bonus.

Amount of support:

- technological bonus – max. up to **PLN 4 million**.

Institution: Bank Gospodarstwa Krajowego (www.bgk.com.pl).

IE OP Measure 4.4 New investment of a high innovation potential

Beneficiaries: manufacturing and service enterprises carrying out new investments and necessary related consulting and training projects, including the acquisition of innovative technological solutions.

Amount of support:

- minimum amount of support – **PLN 2.4 million**;
- maximum amount of the project – **EUR 50 million**;
- maximum amount of support:
 - investment-related part – **PLN 40 million**;
 - consultancy-related part – **PLN 1 million**;
 - training-related part – **PLN 1 million**;

Institution: Polish Agency for Enterprise Development (www.parp.gov.pl).

IE OP 4.5 Support for investment of considerable importance to the economy

IE OP 4.5.1 Support for investment in the production sector

Support for: new investments of an innovative nature involving purchase or implementation of a technological solution which has been applied in the world for a period of no more than 3 years or whose sales volume throughout the world as regards products or services based on the technology in a given industry does not exceed 15%, and which meets all the following conditions: eligible expenditure of no less than PLN 160 million, and net increase in jobs of no less than 150 persons.

Intensity of support:

- up to 30% of eligible expenditure.

IE OP 4.5.2 Support for investment in the modern services sector

Supported projects: new investments involving purchase of fixed assets and intangible assets and net increase in jobs of no less than 100 persons, leading to an establishment or expansion of:

- shared service centres (e.g. finance, accounting, HR management, administration, banking and insurance resources, market research);
- IT centres (e.g. software development, application testing, network design and implementation, product optimization, database management).

Intensity of support:

- up to 30% of eligible expenditure.

IE OP 4.5.2 Support for investment in the modern services sector (R&D projects)

Supported projects: new investments related to a commencement or development of R&D activity by organisational units or organisationally separated units starting or developing their activity, involving purchase of fixed assets and intangible assets, and net increase in jobs of no less than 10 persons of R&D staff, leading to an establishment or expansion of R&D centres (e.g. engineering services centres, quality centres)

Intensity and amount of support:

- minimum amount of eligible expenditure – **from PLN 2 million**;
- investment-related part – max. 70% of eligible expenditure;
- training-related part – up to 45% of eligible expenditure, but no more than **PLN 1 million**;
- consultancy-related part – up to 50% of eligible expenditure, but no more than **PLN 600 000**.

Institution: Ministry of Economy (www.mg.gov.pl).

IE OP 5.1 Support for development of co-operative relations of supra-regional importance

Beneficiaries: legal persons managing a co-operative relation.

Supported projects: joint ventures of groups of entities aimed at preparation of a joint product or service of an innovative nature and their marketing.

Amount of support:

- investment-related part – **PLN 20 million**;
- consultancy-related part – **PLN 400 000**;
- training-related part – **PLN 1 million**;
- market expansion – **PLN 600 000**.

Institution: Polish Agency for Enterprise Development (www.parp.gov.pl).

IE OP 5.3 Support for innovation centres

Beneficiaries: Highly specialized business environment institutions providing services with a high market and technology potential, including entities managing science and technology parks, technology incubators, advanced technology centres, productivity centres and other centres providing specialist services for entrepreneurs, in particular for SMEs.

Supported projects: consultancy related to the preparation of the centre's development strategy considering specific needs of entrepreneurs; consultancy and promotion brought about by the centre's development strategy; investments relating to the centre's development strategy in terms of extension or modernization of existing technical infrastructure; promotional activities resulting from the centre's development strategy aimed at promotion of services provided by pro-innovation business environment institutions locally, regionally and internationally.

Minimum amount of the project: PLN 40 million.

Institution: Polish Agency for Enterprise Development (www.parp.gov.pl).

IE OP 5.4 Management of intellectual property

Beneficiaries: SMEs (for projects 1 and 2); business environment institutions (project 3).

Supported projects:

- covering the costs incurred to obtain industrial property protection;
- support for entrepreneurs covering the costs of the proceedings related to invalidation of a patent,

protection right on a utility design or a registration right or a decision on expiration of a patent, protection right on a utility design or a registration right;

- projects related to dissemination of knowledge about profits resulting from protection of intellectual property in enterprises.

Amount of support:

- obtainment of industrial property protection – from **PLN 2 000 to PLN 400 000**;
- enforcement of the protection of an industrial property right – from **PLN 2 000 to PLN 400 000**;
- dissemination of intellectual property knowledge – from **PLN 200 000 to PLN 2 million**.

Institution: Polish Agency for Enterprise Development (www.parp.gov.pl).

IE OP 6.1 Passport to Export

Beneficiaries: small and medium-sized enterprises (SMEs).

Supported projects: a package of services for entrepreneurs consisting of: consultancy services, search for and selection of business partners on the target market, participation in trade fairs and exhibition events as an exhibitor, participation in business missions, obtainment of documents necessary to export products.

Amount and intensity of support:

- elaboration of Export Development Plan – up to **PLN 10 000**;
- implementation of Export Development Plan – up to **PLN 200 000** and up to **50%** of total eligible expenditure.

Institution: Polish Agency for Enterprise Development (www.parp.gov.pl).

IE OP 8.1 Support for business activity in the field of electronic commerce

Beneficiaries: micro-sized and small enterprises conducting business activity for no longer than 1 year since the day of registration and share-holding companies in the process of formation.

Supported projects: implementation of individual projects of the beneficiaries intended to provide services in the electronic form and, possibly, create digital products necessary for the provision of such services; the services will be co-financed for a period of 24 months from the project start date specified in the agreement on the co-financing.

Amount of support:

- support for business activity in the area of electronic commerce – up to 80% of the project's eligible expenditure – from **PLN 20 000 to PLN 1 million**.

Institution: Polish Agency for Enterprise Development (www.parp.gov.pl).

IE OP 8.2 Support for the implementation of electronic business of the B2B type

Supported projects: projects of technical (IT) and organizational nature, leading to implementation of business processes in the electronic form, involving three or



more co-operating enterprises; the project will be provided with co-financing for a maximum period of 24 months

Amount of support: from **PLN 20 000 to PLN 2 million**.

IE OP 8.4 Providing access to the Internet at the “last mile” stage

Beneficiaries: micro-, small and medium-sized enterprises, non-governmental non-profit organizations.

Supported projects: development and maintenance of a dedicated data communications infrastructure, created between the nearest or the most effective Internet distribution point and the target group (on the area of a single commune more than one project of this type may be implemented).

Minimum amount of support: PLN 30 000 .

Institution: Implementing Authority for European Programmes (www.wvpe.gov.pl).

5.2. Development of Eastern Poland Operational Programme

DEP OP 1.3 Support for innovations

Beneficiaries: higher education establishments, research units, territorial self-government units, unions and associations, institutions supporting innovation development in the region, entrepreneurs, regional/local development agencies and foundations, non-governmental organizations.

Supported projects:

- construction and other construction works and equipment for research institutions along with employment of qualified research staff;
- construction and other construction works and putting into operation of industrial parks, technology parks and incubators (e.g. technological) along with equipment for their laboratories and employment of qualified research staff;
- construction and other construction works and putting into operation excellence centres and technology transfer centres;

- developing infrastructure for research and development units at enterprises along with employment of qualified research staff;
- preparation of investment sites so as to enable setting up of production and modern service zones (e.g. logistic centres, machinery parks, technology parks, incubators, etc.) – comprehensive preparation of land for investment along with construction of internal roads, connecting such roads with the existing communications system and providing utilities.

Eligible costs: minimum PLN 4 million.

Intensity of support: up to 90%.

Institution: Polish Agency for Enterprise Development (www.parp.gov.pl).

5.3. Regional Operational Programmes of Eastern Poland Voivodeships

Regional Operational Programme of the Warmińsko-Mazurskie Voivodeship

WM ROP 1.1.6 Support for new investments for large enterprises

Beneficiaries: large enterprises employing more than 250 employees.

Supported projects: support for new investments as regards:

- **process innovation** – using production methods that are innovative in the region;
- **product innovation** – delivering new or considerably improved goods and services;
- **organisational innovation** – changes in the enterprise's organization.

Innovative solutions are being promoted, i.e. the ones that have not been used in the region before.

Amount of support:

- from PLN 300 000 to PLN 4 million (up to 50% of eligible costs);
- amount of the project: up to PLN 8 million.

Institution: Warmińsko-Mazurska Agencja Rozwoju Regionalnego S.A. in Olsztyn (www.wmarr.olsztyn.pl).

WM ROP 1.1.7 Investment subsidies for micro-enterprises and the SME sector in the field of innovation and new technologies

Beneficiaries: micro-, small and medium-sized enterprises.

Supported projects: implementation of state-of-the-art solutions into production and distribution processes, and into the enterprise organization; creation of new and modern products by the enterprise; construction or reconstruction of infrastructure, as well as purchase of equipment that will enable to use modern technologies and machinery in the production process.

Intensity and amount of support:

- subsidy of to **50%** of the project's eligible costs;
- amount of the project: up to **PLN 8 million**;
- amount of support: from **PLN 20 000** to **PLN 2 million**.

Institution: Warmińsko-Mazurska Agencja Rozwoju Regionalnego S.A. in Olsztyn (www.wmarr.olsztyn.pl).

WM ROP 1.1.9 Other investments in enterprises

Beneficiaries: micro-, small and medium-sized enterprises.

Supported projects: projects stimulating growth of enterprise competitiveness; subsidies for development investments; investments resulting in creation of new jobs or contributing to the retention of existing ones.

Intensity and amount of support:

- amount of support – from **PLN 10 000** to **PLN 1.5 million**;
- amount of co-financing – **up to 50%**.

Institution: Warmińsko-Mazurska Agencja Rozwoju Regionalnego S.A. in Olsztyn (www.wmarr.olsztyn.pl).

Regional Operational Programme of the Podlaskie Voivodeship

PV ROP 1.4.1 Micro-enterprises

ROP 1.4.2 Small and medium-sized enterprises

Beneficiaries: priority will be given to solutions that foster savings on raw materials and energy and reduce emissions of harmful substances into the environment. The funds can be used to purchase machinery and equipment or licenses, patents, etc. Aid can be granted only to a new investment (in fixed and intangible assets) in connection with: establishment of a new enterprise, expansion of the existing enterprise, diversification of the enterprise's production by introduction of new, additional products or substantial change in the production process of the existing enterprise.

Intensity and amount of support:

maximum level of co-financing:

- up to **70%** for micro-sized and small enterprises;



- up to **60%** for medium-sized enterprises;
- up to **50%** for enterprises operating in the transport sector;
- up to **50%** for enterprises in the case of de minimis aid.

Maximum amount of co-financing:

- for small and medium-sized enterprises – **PLN 4 million**;
- micro-enterprises – **PLN 500 000**.

Minimum/maximum amount of support:

- micro-enterprises – min. amount of the project **PLN 30 000**;
- small and medium-sized enterprises – min. amount of the project – **PLN 100 000**.

Maximum amount of eligible expenditure – no limitation.

Institution: Office of the Marshal of the Podlaskie Voivodeship (www.wrotapodlasia.pl).

Regional Operational Programme of the Lubelskie Voivodeship

LV ROP 1.1 Subsidies for start-up micro-enterprises

Beneficiaries: the objective is to increase the investment capacity of start-up micro-enterprises implementing projects in the Lubelskie Voivodeship.

Intensity and amount of support: maximum share of EU funds in the project's eligible expenditure is 70%. Minimum amount of the project – **PLN 143 000**. Maximum amount of the project – **PLN 8 million**.

Minimum amount of support – **PLN 21.5 thousand**. Maximum amount of support – **PLN 310 000**.

For projects with eligible expenditure exceeding **PLN 1 million**, the maximum amount of aid is **PLN 500 000**.

Institution: Office of the Marshal of the Lubelskie Voivodeship (www.lubelskie.pl).

LVROP Measure: 1.2 Investment subsidies for micro-enterprises

Beneficiaries: the measure's objective is to improve the competitiveness of micro-enterprises pursuing business activity for more than 2 years and implementing innovative investment projects in the Lubelskie Voivodeship. The objective will be achieved through the support of investment projects related to modernization of micro-enterprises' product portfolio and technologie.

Intensity and amount of support: maximum share of EU funds in the project's eligible expenditure is 70%. Minimum amount of the project – **PLN 42.5 thousand**. Minimum amount of support – **PLN 30 000**. Maximum amount of support – **PLN 700 000**.

For projects with eligible expenditure exceeding **PLN 2 million**, the maximum amount of support is **PLN 1 million**.

Institution: Office of the Marshal of the Lubelskie Voivodeship (www.lubelskie.pl).

LV ROP Measure: 1.3 Investment subsidies for small and medium-sized enterprises

Beneficiaries: Funds may be obtained for projects related to introduction of new or modernization of existing products, implementation of innovative technologies as well as improving organizational and marketing solutions in small and medium-sized enterprises.

Form of support:

The maximum share of EU funds in the project's eligible expenditure:

- for small enterprises – **70%**;
- or medium-sized enterprises – **60%**;

Minimum project value – **PLN 143 000**. Maximum project value – **PLN 8 million**. Minimum amount of aid – **PLN 85 000**. Maximum amount of aid – **PLN 1 million**. For projects with eligible expenditure exceeding **PLN 4 million**, the maximum amount of aid is **PLN 2 million**.

Institution: Office of the Marshal of the Lubelskie Voivodeship (www.lubelskie.pl).

Regional Operational Programme of the Świętokrzyskie Voivodeship

ŚV ROP 1.1 Direct support for the sector of micro-, small and medium-sized enterprises

Beneficiaries: only innovative projects will be supported or projects that will significantly contribute to the growth of employment. The projects must result in increasing the enterprise's competitiveness in the local or regional market.

Intensity and amount of support: maximum subsidy of 50% of the project's eligible costs. In the case of micro-enterprises (with an exception of businesses operating in the transport sector), it is possible to increase the maximum percentage of the subsidy by 20%.

Minimum eligible expenditure – **PLN 20 000** and maximum – **PLN 8 million**. Minimum subsidy – **PLN 10 000**, and maximum subsidy: for micro-enterprises – **PLN 1.5 million**; or small enterprises – **PLN 2.4 million**; for medium-sized enterprises – **PLN 3.999 million**.

Institution: Office of the Marshal of the Świętokrzyskie Voivodeship (www.sejmik.kielce.pl).

Regional Operational Programme of the Podkarpackie Voivodeship

PV ROP 1.1 Scheme B: Direct investment subsidies

Beneficiaries: the funds received can be used for all investments that will improve operations, production and management processes at an enterprise. Possible uses: purchase of patents and new technologies that will increase the enterprise's productivity and competitiveness, also as an accompanying element

of the project – installation of systems and devices to prevent environmental pollution.

Amount of support: minimum amount of support – **PLN 10 000**. Maximum amount of support: micro-sized and small enterprises – **PLN 800 000**; medium-sized enterprises – **PLN 1.2 million**.

The maximum amount of support to SMEs for projects having a higher level of innovation:

- innovative projects using solutions that are used in the country for no longer than 4 years – **PLN 2 million**;
- projects of a high innovation potential using solutions that are used worldwide for no longer than 3 years – up to **PLN 5.6 million**.

Institution: Office of the Marshal of the Podkarpackie Voivodeship (www.si.podkarpackie.pl).

PV ROP 1.3 Regional system of innovation

Beneficiaries: the objective is to create conditions conducive to economic growth and stimulating the region's innovation potential and knowledge transfer. As part of the Programme investors may establish or improve their R&D facilities (e.g. laboratories) or create a network for cooperation between their enterprise(s) and one or more research units in the region.

Amount of support: subsidy of up to 70% of the project's eligible costs.

Maximum amount of support: up to **PLN 30 million**. Maximum amount of the project:

- up to **PLN 400 000** for projects involving purchase of fixed assets for R&D purpose;
- up to **PLN 4 million** for investment projects in the field of R&D infrastructure;
- up to **PLN 40 million** for projects supporting technology parks.

Institution: Office of the Marshal of the Podkarpackie Voivodeship (www.si.podkarpackie.pl).

5.4. Human Capital Operational Programme (all-Poland and individual voivodeships)

HC OP 2.1.1 Development of human capital in enterprises

Beneficiaries: enterprises

Sample projects:

- supra-regional closed projects involving training and consultancy for entrepreneurs based on the enterprises' individual development strategies;
- countrywide open projects involving training and consultancy for entrepreneurs and enterprise staff;
- post-graduate studies for entrepreneurs and enterprise staff.

Minimum amount of the project – PLN 50 000.

Institution: Polish Agency for Enterprise Development (www.parp.gov.pl).

HC OP 4.2 Development of skills of the R&D system staff and increasing awareness of the importance of research to economic growth

Institution: Ministry of Science and Higher Education, Department of Implementation and Innovation.

Beneficiaries: all entities – except for natural persons (not applicable to those conducting business or educational activity under separate regulations).

Sample projects:

- improvement of skills of the R&D system's staff in the area of management of research and development work, and putting the outcome of research into business use, projects related to increasing awareness of the importance of and rules governing research and development work for the economy, as well as of the needs of the R&D sector and the economy in this respect;
- popularization of scientific findings at the tertiary education level.

Minimum amount of the project – PLN 50 000.

HC OP 8.1 Development of staff and enterprises in regions

HC OP 8.1.1 Support for development of professional skills and consultancy services for enterprises

HC OP 8.1.2 Support for adaptation and modernisation processes in regions

Beneficiaries: all entities – except for natural persons.

Sample projects:

Sub-measure 8.1.1

- training and consultancy for managerial staff and employees (in the area of, e.g., management, identification of needs with regard to employees' skills, work organization, management of health and safety at work, flexible forms of work, implementation of environment-friendly production technologies, application of IT and communication technologies in the activity conducted);
- consultancy services for micro-, small and medium-sized enterprises, including self-employed persons, in particular with regard to economics, finance, HR management or accounting;
- training, courses and job counselling addressed to adult working persons who, at their own initiative, are interested in gaining new qualifications or improving the ones they have, and in particular to employed persons having low or obsolete qualifications.

Sub-measure 8.1.2

- assistance in the establishment of local partnerships intended to develop and implement strategies for the forecasting and management of economic changes at the local and voivodeship levels;

- support for employers and employees in the enterprises undergoing adaptation and modernization processes;
- retraining courses and career counselling, with focus on facilitating the choice of a new career and acquisition of new professional skills;
- studies and analyses of development trends and forecasting of economic changes in the region.

Minimum amount of the project – PLN 50 000.

Institution: Regional institutions designated by the voivodeship self-government.

5.5. Rural Development Programme for 2007–2013

Axis 1 Improvement of the competitiveness of the agricultural and forestry sector

Measure 1.2.3 – Increasing the added value of basic agricultural and forestry production

Beneficiaries: the aim of the measure is to increase competitiveness of enterprises in the sector of processing and marketing of agricultural products, conditioned by the increase in added value, production quality, reduction of costs and development of new products, production processes and technologies, as well as improvement of the production conditions taking into account existing or newly introduced standards. The measure is also aimed at strengthening the position of agricultural producer groups in the channel of product sales, as well as ensuring their wider participation in generating added value of agricultural production by supporting investments in the processing of agricultural products.

Amount of support: maximum amount of aid granted during the RDP period to one beneficiary is **PLN 20 million**. The amount of aid granted for the implementation of one project may not be less than **PLN 100 000**.

The maximum level of aid is:

- **25%** of costs of an eligible investment carried out by an enterprise other than SME;
- **40%** of costs of an eligible investment carried out by a SME;
- **50%** of costs of an eligible investment carried out by a SME
 - which procures raw materials under long-term contracts concluded with groups of agricultural producers, fruit and vegetable producer groups granted preliminary recognition or recognized fruit and vegetable producer organizations;
 - which is registered as a group of agricultural producers or their union, a fruit and vegetable producer group granted preliminary recognition or a recognized fruit and vegetable producer organization;
 - which carries out a project on the processing of agricultural products for energy purposes.

Institution: Agency for Restructuring and Modernisation of Agriculture (www.arimr.gov.pl).

Axis 3 Quality of life in rural areas

Measure 3.1.2 – Establishment and development of micro-enterprises

The objective of the measure is to increase economic competitiveness of rural areas, and develop entrepreneurship and the labour market, and consequently, increase employment in rural areas.

The amount of aid granted to the operation may not exceed:

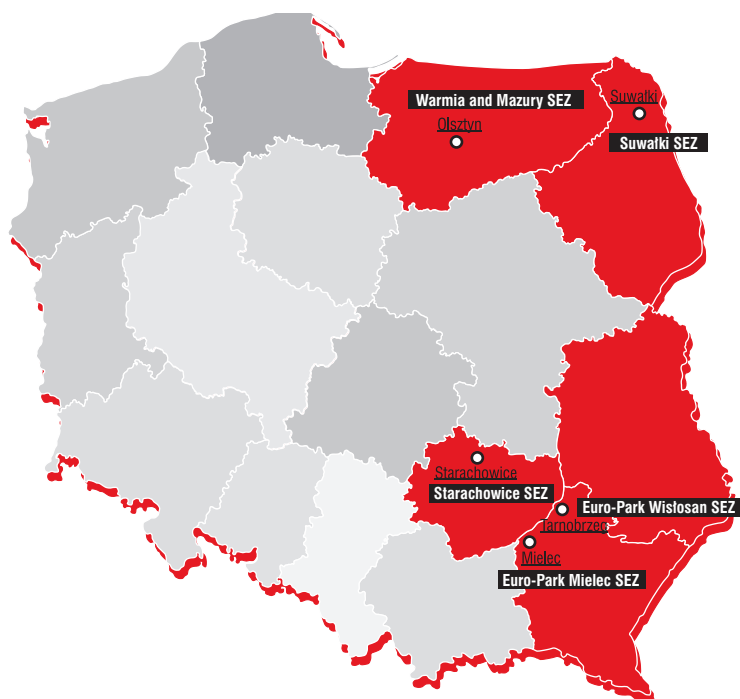
- **PLN 100 000** – if the business plan provides for creation of at least one and less than two jobs (FTE, annual average), which is justified by the material scope of the operation;
- **PLN 200 000** – if the business plan provides for creation of at least two and less than three jobs (FTE, annual average), which is justified by the material scope of the operation;
- **PLN 300 000** – if the business plan provides for creation of at least three jobs (FTE, annual average), which is justified by the material scope of the operation.

Maximum amount of aid granted during the Programme period to one beneficiary may not exceed **PLN 300 000**. Maximum financial aid – **50%** of the operation's eligible costs.



6. Special Economic Zones (SEZs) in Eastern Poland

MAP 5. Special Economic Zones (SEZs) in Eastern Poland



Source: Own compilation based on SEZs websites, June 2010

There are 14 Special Economic Zones in Poland, 5 of which are located in Eastern Poland: Mielec, Tarnobrzeg, Warmia and Mazury, Suwałki and Starachowice (actually, the first zone established in Poland in 1995 was located in the Macroregion Eastern Poland – Euro-Park Mielec). The idea behind the creation of the zones was to accelerate regional economic development, to use of post-industrial assets and infrastructure, to create new jobs – especially in regions threatened by structural unemployment and to attract foreign investors to Poland. Based on Poland's arrangements with the European Commission, the zones will operate in the present shape until 2020. The main tool for attracting investors – and a very effective one in the opinion of investors themselves – are tax incentives in the form of CIT exemptions as per the regional aid map, which specifies the maximum amount of support for projects implemented in individual voivodeships in Poland (for Eastern Poland it is 50%, but the SME sector businesses are entitled to recover 70% and 60% of their capital expenditure respectively). The exemption continues in subsequent years, until the entrepreneur recovers 70% and 60% of their capital expenditure respectively). The exemption continues in subsequent years, until the entrepreneur recovers 50% (or 70% or 60%, depending on the size of an investing company) of its capital expenditure. Each zone is divided into sub-zones, so potential investors have an array of locations to choose from. Apart from tax exemptions, investors willing to invest in the zones can expect that they will be offered a site ready for investment purposes, with all necessary utilities in place, and they also can count on assistance in starting the investment project [Map 5].

All special economic zones in Poland taken together occupy the area of 13 336.3 ha, of which 5 zones located in the Macroregion Eastern Poland, stretch over 3 925.51 ha (over 37% of the total land occupied by Polish SEZs). So it is Eastern Poland that offers the largest territorial potential for investors. Most of the zones' investment areas lie within the territory of 5 voivodeships of Eastern Poland (except for approx. 655 ha located in macroregions other than Eastern Poland).

Capital expenditure incurred by investors in all 5 zones of Eastern Poland exceeded PLN 15.75 billion, and created almost 49 000 new jobs. The biggest number of jobs was created by investors in Tarnobrzeg and Mielec zone (23 335 and 11 953 respectively). Due to very attractive investment conditions, the zones attract both Polish and foreign businesses, while the latter actually predominate in the Eastern Poland Macroregion's special economic zones.



6.1. Warmia and Mazury Special Economic Zone

Situated in the north-eastern region of Poland, it covers the total area of **914.5 ha**, of which 302.3 ha available for investment. The area consists of **24 sub-zones** located within the following towns and communes: Barczewo, Bartoszyce, Ciechanów, Dobre Miasto, Elbląg, Iława, Iłowo, Lidzbark Warmiński, Mława, Morąg, Mrągowo, Nidzica, Nowe Miasto Lubawskie, Olecko, Olsztyn, Olsztynek,

Orzysz, Ostrołęka, Ostróda, Pastęk, Pisz, Piecki, Szczytno and Wielbark.

MAP 6. Warmia and Mazury Special Economic Zone



Warmia and Mazury Special Economic Zone

Registered location: Olsztyn

Voivodeships: Warmińsko-Mazurskie and Mazowieckie

TABLE 3. Major investors in the Warmia and Mazury SEZ

| Investor | 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 | printing |
| Wójcik Fabryka Mebli Sp. z o.o. | Poland | furniture |
| Cetco Poland Sp. z o.o. | Netherlands | construction materials |
| Fabryka Mebli Szynaka Sp. z o.o. | Poland | furniture |
| Bruss Polska Sp. z o.o. | Germany | metal |
| DFM Sp. z o.o. | Poland | furniture |
| Fabryka Mebli Taranko Aleksander Taranko | Poland | furniture |

Source: Own calculations based on PAIiZ databases

6.2. Suwałki Special Economic Zone

It is located in the Voivodeships: Podlaskie, Warmińsko-Mazurskie and Mazowieckie. It covers the total area of **342.7662 ha**, of which 106.16 ha available for development, in six sub-zones: Suwałki, Elk, Goldap, Białystok, Grajewo and Małkinia Góra.

As of the end of 2012 there were **69 enterprises** operating in the zone, both Polish and foreign, which created more than **5 700 new jobs** and made capital expenditure of more than **PLN 1.7 billion**.

MAP 7. Suwałki Special Economic Zone



Suwałki Special Economic Zone

Registered location: Suwałki

Voivodeships: Podlaskie, Warmińsko-Mazurskie and Mazowieckie

TABLE 4. Major investors in the Suwałki SEZ

| Investor | Country of origin | Sector |
|---------------------------------|-------------------|-----------------------|
| Pfleiderer MDF Sp. z o.o. | Germany | wood |
| Rockwool Polska Sp. z o.o. | Denmark | construction |
| Porta KMI Polska Sp. z o.o. | Poland | wood |
| Impress Decor Polska Sp. z o.o. | Austria | printing |
| Malow Sp. z o. o. | Poland | metal |
| Mispol S.A. | Poland | food |
| Iryd Sp. z o.o. | Poland | metal, wood |
| Aquael Sp. z o.o. | Poland | precision engineering |
| Cezar D. Niewiński | Poland | plastics |
| Reckman Sp.j. | Poland | clothing |

Source: Own calculations based on PAIiZ databases

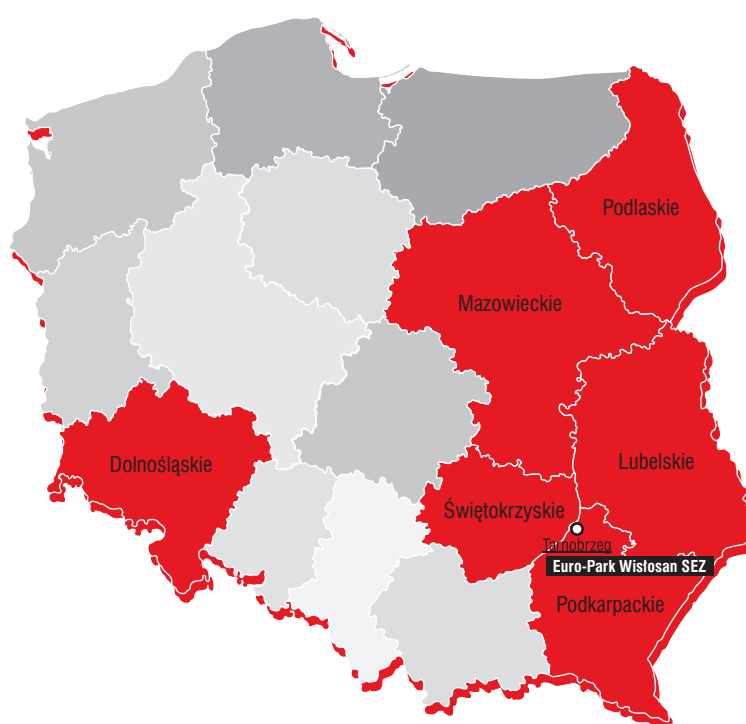
6.3. Tarnobrzeg Special Economic Zone Euro-Park Wisłosan

It has sub-zones in as many as 6 voivodeships, including 4 in Eastern Poland (Podlaskie, Podkarpackie, Świętokrzyskie and Lubelskie) and in Mazowieckie and Dolnośląskie. The total zone area is **1632.31 ha**, of which 535.7 ha available for development 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-Kobierzycze (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), Horodło (5.3 ha), Ryki (4.45 ha), Łapy (11.95 ha), Mińsk Mazowiecki (5.78 ha)

As of 30 June 2012, **224 permits** were issued, of which 34 for companies with the foreign capital participation, **28 448 new jobs** were created and capital expenditure exceeded **PLN 7.0 billion**.

MAP 8. Tarnobrzeg Special Economic Zone Euro-Park Wisłosan



Tarnobrzeg Special Economic Zone Euro-Park Wisłosan

Registered location: Tarnobrzeg

Voivodeships: Podkarpackie, Podlaskie, Świętokrzyskie, Lubelskie, Mazowieckie and Dolnośląskie

TABLE 5. Major investors in the Tarnobrzeg SEZ Euro-Park Wisłosan

| Investor | Country of origin | Sector |
|--|-------------------|------------------------------------|
| LG Philips LCD Poland Sp. z o.o. | Republic of Korea | production of TVs and LCD monitors |
| ATS Stahlschmidt&Maiworm Sp. z o.o. | Germany | production of aluminium wheel rims |
| Sanfarm Sp. z o.o. | Poland | production of pharmaceuticals |
| 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 | printing house, printing services |
| Toshiba Television Central Europe Sp. z o.o. | Japan | electronics |
| Alumetal Gorzyce Sp. z o.o. | Poland | metal |
| Jadar Technmatik S.A. | Poland | production of paving blocks |
| Zakłady Metalowe Dezamet S.A. | Poland | defence industry |

Source: Own calculations based on PAliIZ databases

6.4. Euro-Park Mielec Special Economic Zone

It is located mainly in south-eastern Poland, and covers the total area of **1 246 ha** in 20 subzones, of which 396.5 ha available for development, located in the sub-zones within the following cities/towns and communes: Mielec, Rzeszów, Głogów Małopolski, Trzebownik, Lublin, Ropczyce, Ostrów, Zamość,

Leżajsk, Jarosław, Laszki, Sanok and Zagórz, Lubaczów, Kolbuszowa, Szczecin, Lubartów and Krosno.

As of 31 December 2012, **231 permits** had been issued to conduct a business activity in the zone, while investors made **capital expenditure of PLN 5.4 billion** and created **over 20 000 new jobs**.

MAP 9. Euro-Park Mielec Special Economic Zone



Euro-Park Mielec Special Economic Zone

Registered location: Mielec

Voivodeships: Podkarpackie, Lubelskie, Małopolskie and Zachodniopomorskie

TABLE 6. Major investors in the Euro-Park Mielec SEZ

| 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 Poland Sp. z o.o. | USA | automotive |
| Lear Corporation Sp. z o.o. | USA | automotive |
| Kirchhoff Polska Sp. z o.o. | Germany | automotive |
| Firma Oponiarska Dębica S.A. | USA | automotive |
| Kronospan Mielec Sp. z o.o. | Austria | wood processing |
| Ball Packaging Europe Lublin Sp. z o.o. | USA | packaging |
| Bury Sp. z o.o. | Poland | electronics |
| BRW Sp. z o.o. | Poland | furniture |
| Goodrich Aerospace Poland Sp. z o.o. | USA | aviation |

Source: Own calculations based on PAIIIZ databases

6.5. Starachowice Special Economic Zone

It is located within the Świętokrzyskie Voivodeship, while it also has subzones in the Lubelskie, Mazowieckie, Łódzkie and Opolskie Voivodeship. The zone covers the total area of **612.9 ha**, of which 225.38 ha remaining for development (as at the end of January 2011) in the following sub-zones: Starachowice, Ostrowiec Świętokrzyski, Skarżysko-Kamienna, Końskie, Stąporków, Suchedniów, Morawica, Szydłowiec, Puławy, Ilża, Tułowice, Mniszków, Sędziszów and Kielce.

At the end of Q3 2012, there were **71 active business licences in the zone**, **7 228 new jobs were created**, while investors' capital expenditure amounted to **PLN 1.6 billion**.

MAP 10. Starachowice Special Economic Zone



Starachowice Special Economic Zone
Registered location: Starachowice
Voivodeships: Świętokrzyskie, Lubelskie, Mazowieckie, Łódzkie and Opolskie

TABLE 7. Major investors in the Starachowice SEZ

| Investor | Country of origin | Sector |
|---|-------------------|------------------------|
| Biella Szydłowiec Sp. z o.o./Biella-Neher AG | Switzerland | office supplies |
| Cerrad Sp. z o.o. | Poland | ceramic |
| Cersanit II S.A. | Poland | sanitary ceramic ware |
| Gerda 2 Sp. z o.o. | Poland | metal |
| Gerda 3 Sp. z o.o. | Poland | metal |
| MAN Bus Sp. z o.o./MAN Nutzfahrzeuge Gruppe | Germany | automotive |
| Orizzonte Polska Sp. z o.o. | International | metal |
| RR Donnelley Starachowice Sp. z o.o./RR Donnelley | USA | printing |
| Starpol II Sp. z o.o. | Poland | electrotechnical |
| Star-Dust Sp. z o.o. | Poland | ceramic |
| Ceramika Nowa Gala II Sp. z o.o. | Poland | ceramic |
| Star-Gres Sp. z o.o. | Poland | ceramic |
| Alpol Gips Sp. z o.o. | Poland | construction materials |
| Nova Ceramika Sp. z o.o. | Poland | ceramic |
| Ceramika Końskie Sp. z o.o. | Italy | ceramic |
| Kaye Aluminium Opole Sp. z o.o. | Spain | metal |
| Valdi Ceramika Sp. z o.o. | Poland | ceramic |
| Zakłady Azotowe Puławy S.A. | Poland | chemical |
| Air Liquide Polska Sp. z o.o. | France | chemical |
| Fabryka Kotłów Sefako S.A. | Poland | metal |

Source: Own calculations based on PAIIIZ databases

7. Science and Technology and Industrial Parks

There are more than 36 technology parks in Poland – either already operating or at an advanced stage of development. The most resilient group comprises 20 parks. In total they host 523 institutions and 18 science and research units. The parks employ more than 16.5 thousand people. The twenty most dynamic parks cover the area of almost 1.3 thousand ha, of which developed areas account for almost 550 000 m². This figure represents just above 3% of their total area. The largest parks are technology parks located in Kraków, Bełchatów and Płock, and 'Aeropolis' park in the Podkarpacie Region. Their areas equal respectively to: 416 ha, 384 ha, 200.4 ha and 118 ha. They represent 88% of the total area occupied by the twenty most resilient parks. Apart from 'Aeropolis', the group of the 20 largest parks also includes one more park located in the Macroregion Eastern Poland, namely 'Poland- East' Science and Technology Park in Suwałki. It is not as big as 'Aeropolis' though: the park in Podkarpacie covers the area of 118 ha (of which just under 2% is used), and the park in Suwałki covers the area of 8.6 ha (of which 0.55% is used). The park in Podkarpacie is also the biggest in terms of employment: 618 persons compared to 80 persons in the Suwałki Park.

7.1. Kielce Technology Park

The Kielce Technology Park was created based on the Kielce Technology Incubator established in 2008. Since its inception, the incubator has worked with small and medium-sized enterprises as well as the local self-government. In July 2009, by way of resolution of the Kielce City Council, the entity changed its name to the Kielce Technology Park. The park was created, among others, in order to support newly created in-

novative companies. It is focused on the development of academic enterprise, supporting relationships between science and economy as well as pre-incubation and incubation of enterprises which originate at universities. The park concept assumes operation of two separate organizational units: Technology Incubator (for start-up businesses) and Technological Centre (for companies leaving the Technology Incubator at the expansion stage or for third-party enterprises intending to start business in Kielce).

Kielecki Park Technologiczny

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7.2. Lublin Science and Technology Park

Lublin Science and Technology Park was established in May 2005. The Park shareholders are: the self-government of Lubelskie Voivodeship and University of Life Sciences in Lublin. The Park with related infrastructure cover the total area of more than 10 000 m².

The mission of Lublin Science and Technology Park is to support the development of Lubelskie Voivodeship through the creation of an institutionalized platform enabling the cooperation of Lublin universities with the business community. The main goal of the establishment is to support projects in which research findings are put into business use so as to improve innovativeness of enterprises in the Lublin region. In 2009, an official opening of the first Park facilities took place. Current tenants include: **Laboratorium Badań Genetycznych Sp. z o.o.** (research on human chromosomes in reproductive failures, detection of genetic defects and susceptibility to various genetic diseases), **Central Apparatus Laboratory of the University of Life Sciences** (conducting certified research and measuring work, including a broad spectrum of physical and chemical measurements, training in lab analysis), **Lubelskie Centrum Konsultingu Sp. z o.o.** (consulting services, business services for SMEs, international trade support, training activities), **VADO Sp. z o.o.** (production of software and specialized data communications systems, development and production of electronic devices, specialist advice), **KTI Konsulting** (consulting and training services in the field of raising third-party financing, in particular grants from the EU structural funds), **Centrum Innowacji i Transferu Technologii Lubelskiego Parku Technologicznego Sp. z o.o.** (post-production, animation and visual effects services for advertising, TV, film and new media projects, production of commercials, music videos and feature-length films).



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7.3. Podkarpackie Science and Technology Park "Aeropolis"

The Park was meant as one of the instruments to improve competitiveness of the economy in the Podkarpackie region by implementing modern technological solutions and management of knowledge and capital resources. The Park (located in Rzeszów on the area of 118 ha), was supposed to provide a platform where innovative scientific ideas are transformed into modern technological solutions to be implemented by economic entities. In May 2003, the self-government of Podkarpackie Voivodeship, the city of Rzeszów, Rzeszowski Powiat, Rzeszów University of Technology and the University of Rzeszów signed an agreement on the establishment of the Podkarpackie Science and Technology Park 'Aeropolis'. The PSTP 'Aeropolis' management was entrusted to Rzeszowska Agencja Rozwoju Regionalnego S.A.

The Park's strategic aims are: activation of brown-fields, creation of investment infrastructure and attracting investors, effective development of available facilities and areas and provision of auxiliary services – mostly for PSTP 'Aeropolis' businesses, increasing competitiveness and innovation of enterprises operating in the voivodeship, development of infrastructure to activate local and regional enterprise, exploiting the potential of the Park's tenants and business engaged in manufacturing of complementary products. Besides, the Park seeks to increase the number of university graduates taking up self-employment (academic pre-incubator), develop technologies and stimulate research activities.

So far, the following companies have invested in the Park: **Opatem S.A.** – a manufacturer and integrator of systems using e-card technologies, **Borg Warner Turbo Systems** – a manufacturer of turbo-compressors, **Ultratech Sp. z o.o.** – a manufacturer of parts and components for the aircraft and automotive industry, **Yanko Sp. z o.o.** – a packaging manufacturer or **MasterProfi Sp. z o.o.** – a manufacturer of professional vacuum cleaners. The largest and the most important investment is the plant of German **MTU Aero Engines**, opened in May 2009 within the Park premises in Jasionka near Rzeszów. The company invested EUR 50 million euro. The plant produces components for aircraft engine turbines. So far the company has employed as many as 200 local inhabitants and ultimately this number is supposed to reach 400.

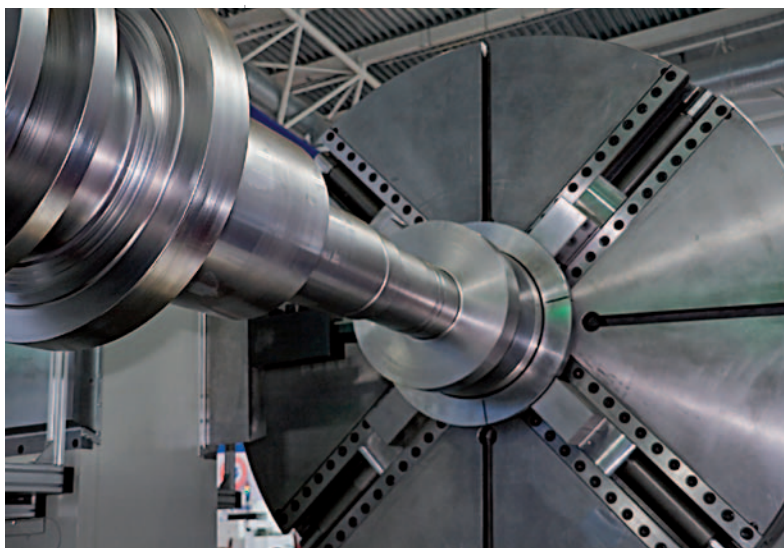


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7.4. Stare Miasto Industrial Park

In August 2005, the Council of the Commune of Leżajsk adopted a resolution on the establishment of the Industrial Park under the name of Stare Miasto – Park. One year later it signed a contract with the Industry Development Agency (Agencja Rozwoju Przemysłu S.A.) in Warsaw for completion of the comprehensive infrastructure within the Industrial Park and construction of 3 production halls. In 2007, in accordance with the regulation of the Council of Ministers, part of the Park land was granted the status of Special Economic Zone Euro-Park Mielec. Stare Miasto Industrial Park is located within the Commune of Leżajsk, in Stare Miasto (Zone A) and Wierzawice (Zone B) of the total area over 35 ha (the ultimate Park area is planned at 200 ha). Until now, the Park's investors have been mainly Polish companies such as SGS Eko-Projekt Sp. z o.o., Emka Mirosław Klosowski, Iglobud Leżajsk Jerzy Szostak.

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7.5. Mielec Industrial Park

Mielec Industrial Park is an investment area established in March 2005 by the Mielec City Council in order to use the post-restructuring assets of WSK-PZL Mielec. The management of Mielec Industrial Park was entrusted to Agencja Rozwoju Regionalnego "MARR" S.A. based on the agreement with the city of Mielec. About 100 ha of the Park, with complete service infrastructure and ready for new project launches, is located within a special zone, authorizing the willing investors to apply for investment tax credits of Euro-Park Mielec Special Economic Zone in Mielec. Current investors include: **Husqvarna** – a Swedish manufacturer of electrotechnical equipment, **Regom Polska** – a manufacturer of elements for the plumbing, automotive and aircraft industry, **First Company** from Germany – a manufacturer of women's wear, mainly for the German market and **RD Precision** – a manufacturer of aircraft parts and components.

Mielecki Park Technologiczny

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7.6. Puławy Science and Technology Park

The project of Puławy Industrial Park (PIP) was formed in January 2003 as a joint initiative of Zakłady Azotowe Puławy S.A. and the Municipal Commune of Puławy. In April 2003, the Puławy City Council adopted a resolution on joint actions and exemptions from property tax for the PIP investors. Today, the Park's

area equals to 700 ha. About 570 ha is owned directly by Zakłady Azotowe Puławy S.A.; another 99 hectares is a sub-zone of the Special Economic Zone – Starachowice (the area within the competence of the Management Board of SSE Starachowice S.A. and the Management Board of Zakłady Azotowe Puławy S.A.). 130 ha come under administration of the City of Puławy. In 2008, Zakłady Azotowe Puławy S.A., the City of Puławy, Fertilizer Research Institute, Institute of Soil Science and Plant Cultivation, Puławy Enterprise Centre Foundation and representatives of self-government authorities signed a letter of intent concerning transformation of the existing park into the Puławy Science and Technology Park. Current Park investors include: Kozap – railway forwarding and transport, Elza – power engineering lines and machinery, Medical – comprehensive medical services and PIA-ZAP – authorization of production processes.

Puławski Park Przemysłowy

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7.7. "Poland-East" Science and Technology Park

The mission of "Poland-East" Science and Technology Park in Suwałki is to increase the socio-economic cohesion and improve the economic development of the North-Eastern Poland Macroregion and – as a result – of Podlaskie Voivodeship by promoting entrepreneurship fostering technology-based knowledge and by making best use of opportunities for international cooperation. The Park, covering the area of 8.6 ha, opened in 2004. In 2005–2008, parallel to the preparation of infrastructure, the Park managed projects related to the development of new technologies in the region, such as: "Poland-East Science and Technology Park as the loadstar for new innovation technologies for the economic development of the Podlasie region", "Innovative potential of the Suwałki sub-region for the development of new technologies infrastructure and information society" or E-cluster "Healthy Life Valley". In 2012 the Park expanded and a Technology Incubator was created with 4 scientific and research laboratories (located in one building), a hall for logistic and technological processes. There are also plans to create an International Eastern Centre for Innovation.

Partners of the Park include: Warsaw University of Technology, the City of Suwałki, University of Warmia and Mazury, University of Białystok, National Institute of Telecommunications and the State Higher Vocational School in Suwałki.

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7.8. Świdnik Regional Industrial Park

The industrial park was created as a result of property restructuring and business reengineering of PZL-Świdnik S.A. Some of the park area (approx. 50 ha) is located on the company area. The Park is based on the existing production and technology infrastructure, which was separated and excluded from the manufacturing process of PZL-Świdnik S.A. The Industrial Park is meant to attract to Świdnik both large and small investors that would like to start business in this region. The majority of real estate and industrial facilities are already used by newly established businesses or enterprises that simply transferred their activity to the Park area.

Shareholders include: Zakłady PZL-Świdnik S.A., the City of Świdnik, Zakład Narzędziowy in Świdnik, State Treasury and the Powiat of Świdnik. At the moment, 41 companies have based their operations in the Park, employing approx. 1000 people, to mention only a few: SMF Poland – plastic industry, Advanced Technology Centre OBR – construction of machinery and equipment, pneumatic drive control, automation of production processes, Elto – electrical systems in the power engineering sector, ISK Engineering – a supplier of paints, plasters and insulation systems, Arctica BB – insulating materials, composite panels and cold storage doors. The Industrial Park has a very good internal and external communication infrastructure (the road system allowing for access by TIR lorries of unlimited load capacity; the railway siding with unloading ramps plus close proximity to the Świdnik airport, which is going to be modernized and expanded in the future – data based on the development plans of the Lublin region). The company "Port Lotniczy Lublin w Świdniku" may also be joined by the enterprises starting their business in the Park.

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7.9. Industrial Park in Zambrów

Industrial Park in Zambrów opened in January 2006. It was created on the basis of the former Zakłady Przemysłu Bawełnianego Zamtex (Cotton Industry Plant Zamtex), taken over by the State Treasury, and then transferred to the municipal authority of the Town of Zambrów. The project was completed directly by a municipal company – Zarząd Nieruchomościami Sp. z o.o. Once the application for funding from the European Regional Development Fund under the ICE SOP was accepted, the City of Zambrów contributed the real estate to the Company, which was considered as the local authorities' contribution to the project.

The Park is located on the plot of 40 577 m². Its managing authority is Zarząd Nieruchomościami w Zambrowie Sp. z o.o.

Zambrowski Park Przemysłowy – Zarząd Nieruchomościami w Zambrowie Sp. z o.o.

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