AND LOCAL ANALYSES

REGIONAL INVESTMENT ATTRACTIVENESS 2013

Lublin Voivodship

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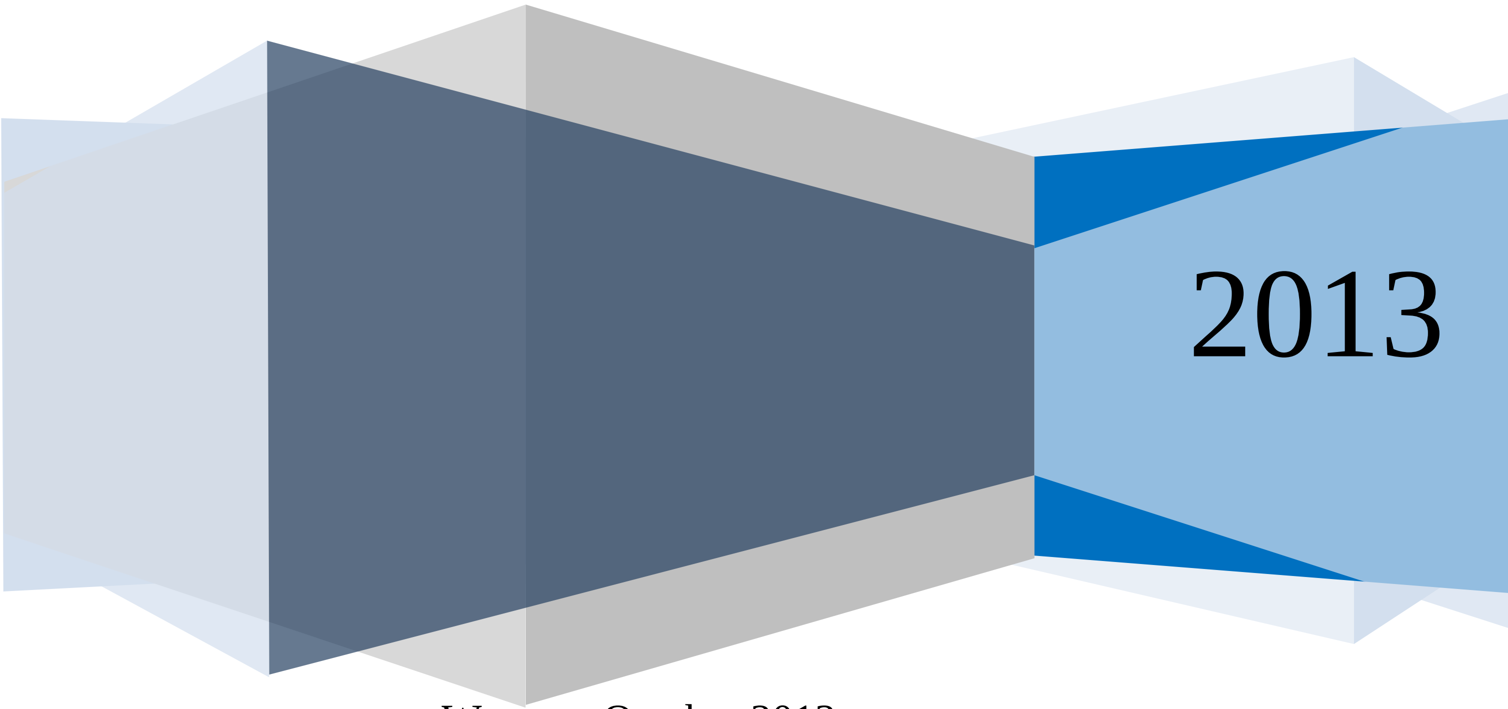


Warsaw, October 2013

Introduction

This report has been prepared thanks to the application of results of scientific research conducted since 2002 by the Institute of Enterprise, Collegium of Business Administration of the Warsaw School of Economics (WSE), under the supervision of H. Godlewska-Majkowska, Ph.D., university professor at the WSE. All the Authors are the core members of a team that develops methodology of calculating regional investment attractiveness in order that characteristics of regions, which are important to investors, are captured as closely as possible, both in general terms and from a point of view of specificity of a given kind of business activity as well as a size of investment.

Potential investment attractiveness (PAI) indices measure the location-specific advantages of regions. In their simplified version they are calculated for territorial units of various levels of statistical division of the country (communes – Polish: gmina, counties – Polish: powiat, subregions, voivodships/regions). These are PAI1 indices, which refer to the whole regional/national economy (PAI1_GN) and selected sections: C – manufacturing industry, G – trade and repair, I – tourism and catering, M – professional, scientific and technical services.

Besides, some indices are calculated only for the voidoships, on the basis of characteristics available only on the regional or macroregional level which allows evaluating their investment attractiveness in a much broader context. These are PAI2 indices, which are calculated both from a general point of view and with reference to the above mentioned sections of the economy (PAI2_C, PAI2_G, PAI2_I, PAI2_M).

What is more, ranks of real investment attractiveness, which relates to the inflow of capital (in the form of investments) and the effects of investments considered from a point of view of productivity and returns on the outlays made, are used in this report.

The measurements in use are subject to annual review thanks to consulting them with foreign investor assistance institutions and direct contact to territorial self-government units as well as organizations of entrepreneurs. A description of methodological approach to measuring investment attractiveness of Polish regions, counties and communes can be found online on the website of the Centre for Regional and Local Analyses, which cooperates with the Institute of Enterprise: www.caril.edu.pl, as well as in numerous scientific publications and expert opinions.

1. The profile of regional economy of Lublin (lubelskie) voivodship

Lublin voivodship is situated in central-eastern Poland. It stands out in terms of exceptionally favourable conditions for the development of food industry because of the agricultural character of the most part of the voivodship and very high specialisation in cultivation of industrial plants, fruit and vegetables. The cleanness of natural environment, multiculturalism and tourist values (in particular The Old Town in Zamość, a UNESCO World Heritage site, the Polesie and Roztocze National Parks as well as 16 landscape parks) create good conditions for the development of tourism (including agritourism) and regional products manufacturing (including ecological food).

Moreover, the advantages of the voivodship are:

- its favourable location on an international traffic route, i.e. pan-European corridor East-West, which makes foreign market accessible, including the ones of Ukraine and Belarus,
- relatively low labour costs (wages and salaries amounting to 87.9% of the national average) and at the same time access to well-qualified human resources in the cities of the region,
- big R&D potential thanks to an important role of academic establishments of Lublin in the Polish science and higher education. In 2010 the Ministry of Science and Higher Education ranked among the best scientific establishments in Poland the following ones: Fertilisers Research Institute in Puławy, National Veterinary Research Institute in Puławy, the Faculty of Humanities, the Faculty of Social Sciences and the Faculty of Law, Canon Law and Administration of the John Paul II Catholic University of Lublin, the Faculty of Law and Administration of the Maria Curie-Skłodowska University of Lublin, the Witold Chodźko Institute of Agricultural Institute in Law, the Pharmaceutical Faculty with Medical Analytics Division of the Medical University of Lublin as well as the Institute for Central-Eastern Europe in Lublin,
- industrial traditions, in particular in reference to transport, machine, chemical and food industries,
- predestination to the development of BPO by virtue of access to well-qualified human resources and their low wage expectations.

The general characteristics of the voivodship are presented in Table 1.

Table 1. General characteristics of the economy of Lublin voivodship

Feature	Lublin voivodship	Poland	Share [%]
Market Potential			
GDP per capita 2010. (PLN/person)	25,079	37,096	-
Population (persons) on 31 December 2012	2,165,651	38,533,299	5.6
Human Resources Potential			
Higher education institutions graduates (persons) in 2012	28,455	484,999	5.9
Secondary schools graduates (persons) in 2012	27,798	421,317	6.6

Number of employed persons on 31 December 2012	803,560	13,911,203	5.8
Structure of employed persons 2012	agriculture 38.3% industry 17.9% services 43.8%	agriculture 17.1% industry 27.4% services 55.5%	
Investment outlays and capital of companies with foreign capital participation in the voivodship			
Investment outlays (PLN m) in 2011	587.2	73,704.4	0.8%
Capital of companies (PLN m) in 2011	1503.9	194,160.6	0.8%
Special economic zones (SEZs) in the voivodship*			
– Mielec SEZ, subzones in: m. Lubartów, m. Lublin, m. Radzyń Podlaski, m. Zamość – Starachowice SEZ subzones in: m. Puławy – Tarnobrzeg SEZ subzones in: gm. Horodło, gm. Janów Lubelski, gm. Łuków, gm. Poniatowa, gm. Ryki, gm. Tomaszów Lubelski, m. Kraśnik, m. Tomaszów Lubelski, m. Łuków			
Distinguishing investment attractiveness ratings PAI _2 and RAI (Class A, B and C)			
Potential investment attractiveness PAI_2			
Real investment attractiveness RAI			

Counties and communes distinguished according to the Potential Attractiveness Index for the national economy (PAI1_GN)		
Counties	Class A	Biała Podlaska, Chełm, Zamość, Lublin
	Class B	Łęczna, Puławy
Communes	Class A	Lublin (1), Kraśnik (1), Łuków (1), Puławy (1), Radzyń Podlaski (1), Włodawa (1), Biała Podlaska (1), Biłgoraj (1), Rejowiec Fabryczny (1), Tomaszów Lubelski (1), Chełm (1), Zamość (1), Lubartów (1), Łęczna (3), Puchaczów (2), Świdnik (1)
	Class B	Janów Lubelski (3), Stoczek Łukowski (1), Poniatowa (3), Dęblin (1), Międzyrzec Podlaski (1), Terespol (1), Parczew (3), Hrubieszów (1), Krasnystaw (1), Lubartów (2), Wólka (2)

Source: Authors' own calculations.
* On the above list and further in the report gm. is a Polish abbreviation for gmina – commune and m. is an abbreviation for miasto – city.
If there is information city following the name of the county, it indicates a commune which has a status of a city and carries out county's tasks is mentioned (a city county). Otherwise the counties include more than one commune (land counties).
Additional information: (1) – urban commune, (2) – rural commune, (3) – urban-rural commune.

In 2010 Lublin voivodship made a contribution of 3.8 % to the GDP of Poland. Calculated per capita, it amounted to PLN 25,079, compared with the average for Poland of PLN 37,096. With this result the voivodship takes the 15th place in the country. The GDP growth rate in the voivodship in the years 2003-2010 amounted to 157% while the average for Poland amounted to 168%. In comparison with the whole country the structure of employment in the voivodship is characterised by a relatively low share of the service sector (43.8%) whereas a share of the agricultural and industrial sectors are respectively 38.3% and 17.9% (Central Statistical Office, Regional Data Bank 2013).

The number of inhabitants of the voivodship amounts to 2,165,651 (as of 2013), which is 5.6% of the population of Poland. The age structure in the voivodship in 2012 was as follows: 18.6% of the population at pre-productive age, 63% at productive age and 18.4% at post-productive age (for Poland it was 18.3%, 63.9% and 17.8% respectively). The registered unemployment rate in the voivodship amounted to 13.7% in August 2013, compared to 13% in Poland. The average monthly gross wages and salaries in enterprises sector in the first half-year of 2013 amounted to PLN 3286.1, which is 87.1% of the average for Poland.

The main potential for human capital creation in the voivodship lies in 19 higher education institutions in which there are 93 thousand students studying, which makes up 5.5% of all students in Poland. Moreover, 4.8% of the secondary school students in the voivodship attend vocational schools and 5.7% attend technical schools.

The voivodship's strategic sectors mentioned in the strategy of regional development include above all:

industry (manufacture of food products, manufacture of furniture and manufacturing n.e.c., manufacture of machinery and equipment, manufacture of non-metallic mineral products, automobile industry, manufacture of metal products, manufacture of wood and wooden products, chemical industry), construction, market services (an important element of institutional business surroundings is the banking sector backed by financial institutions like credit and guarantee funds, leasing companies, credit unions), network services (especially electricity and gas supply), tourism, non-market services, agriculture (one of the most important branches of the economy of Lublin voivodship), education, R&D and the development of information society (knowledge-based economy).

Preferential conditions of conducting business activities are offered in the voivodship i.a. in the following special economic zones:

- Mielec SEZ, subzones in: m. Lubartów, m. Lublin, m. Radzyń Podlaski, m. Zamość,
- Starachowice SEZ, subzone: m. Puławy,
- Tarnobrzeg SEZ, subzones in: gm. Horodło, gm. Janów Lubelski, gm. Łuków, gm. Poniatowa, gm. Ryki, gm. Tomaszów Lubelski, gm. Ryki, m. Kraśnik, m. Łuków, m. Tomaszów Lubelski.

2. Region's rank in terms of investment attractiveness in Poland and in the European Union

Lublin voivodship is characterised by a very low level of universal investment attractiveness, which demonstrates itself in its rank (Class F) according to the main potential investment attractiveness index for the whole national economy PAI 2_GN.[1]

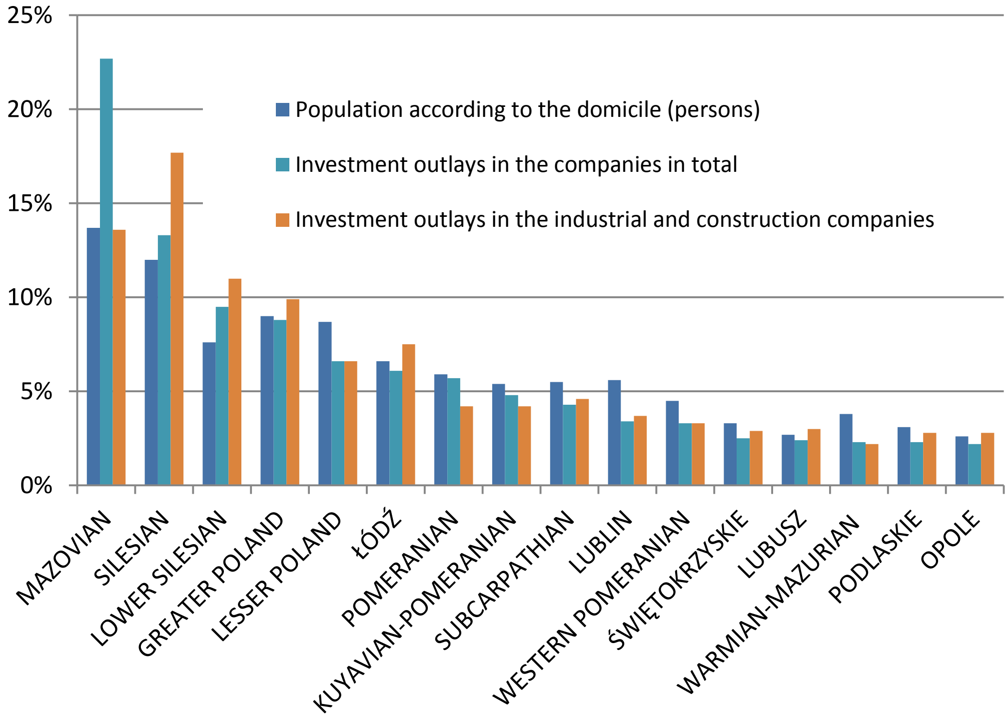
Investment attractiveness can also be evaluated on the basis of indices of real investment attractiveness (RAI), based on such microclimates as: returns on tangible assets, labour productivity, self-financing of self-government territorial units and investment outlays. RAI ranks for this region are very low, both for national economy and for the particular sections. Its rank for professional, scientific and technical activities as well as hotels and restaurants is slightly higher (Class E).

Potential and real investment attractiveness in reflected in the decisions of investors concerning business location. This is shown in Chart 1.

In 2011 Lublin region took the 10th place in terms of investment outlays made in the companies (a share of 3.4% in the national investment outlays). It is very scarce given region's share in the national population of 5.6%. This applies also to the outlays both in industrial and construction companies (3.7%). This means the market potential of the region is undervalued by the investors.

[1] Section C – manufacturing industry, section G – trade and repair, section I – hotels and restaurants, section M – professional, scientific and technical activities. Methodological description of calculation of investment attractiveness of Polish regions, counties and communes can be found on the website of Institute of Entrepreneurship, Collegium of Business and Administration, Warsaw School of Economics: http://kolegia.sgh.waw.pl/pl/KNoP/struktura/IP/publikacje

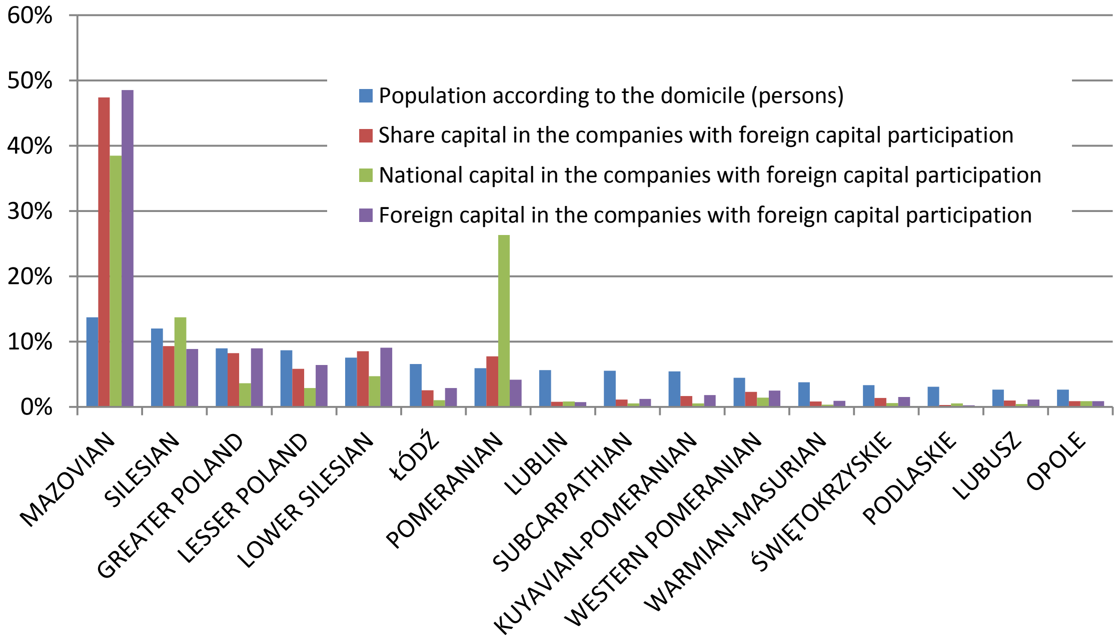
Chart 1. Regional structure of investment outlays in the companies in 2011 in comparison with the share in the country's population



Note: These are the most up-to-date data.
Source: Authors on the basis of the Local Data Bank (downloaded 13 November 2013).

Analysing the value of accumulated capital in the companies with foreign capital participation leads to the same conclusion – see Chart 2. The voivodship took the 15th place when it comes to the value of share capital in the companies with foreign capital participation (0.7% of Poland's total).

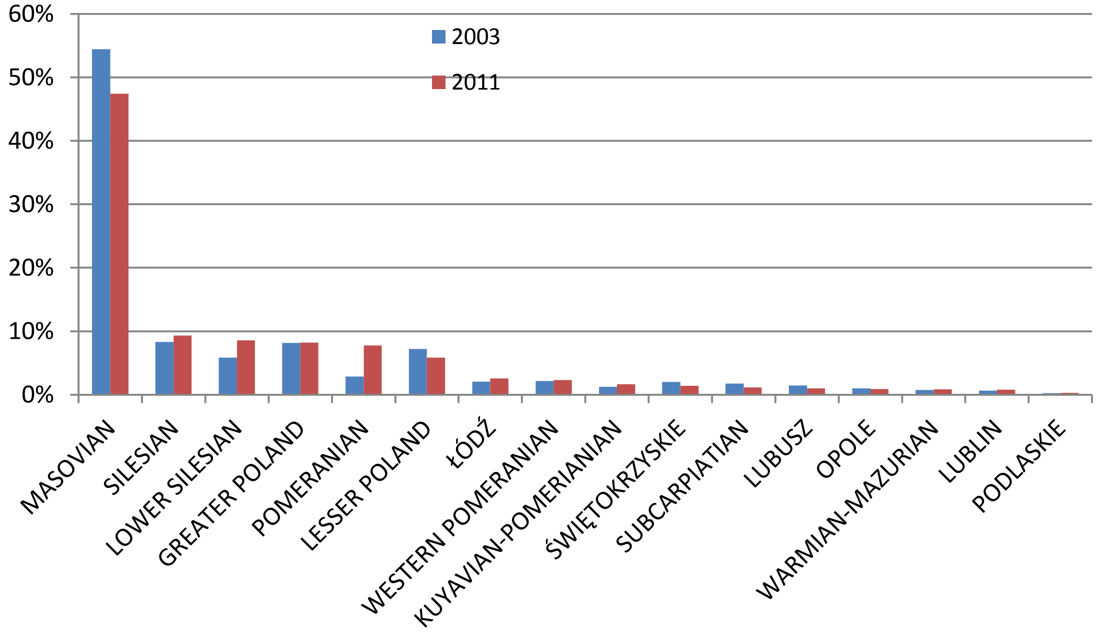
Chart 2. Regional structure of capital in the companies with foreign capital participation in comparison with a share in population



Note: These are the most up-to-date data.
Source: Authors on the basis of the Local Data Bank (downloaded 13 November 2013).

In the years 2003-2011 region's poor performance in attracting foreign investors measured by the share in the value of share capital of entities with foreign capital participation slightly improved and increased from 0.64% to 0.77% - see Chart 3.

Chart 3. Regional competitive rank in terms of investments with foreign capital participation according to the value of share capital in the companies with foreign capital participation in 2003 and 2011 (% of total value for Poland)



Source: Authors on the basis of the Local Data Bank (downloaded 13 November 2013).

Other regions of Eastern Poland are in a similar situation as investors tend to consider them not very attractive. The graph shows a clear competitive advantage of Masovian voivodship, which absorbs a half of capital in the companies with foreign capital participation. Strong industrialized voivodships: Lower Silesian, Silesian voivodship as well as Greater Poland and Lesser Poland also stand out.

An opportunity for Lublin voivodship might be investment sites thoroughly prepared by self-government territorial units which are characterised by high investment attractiveness, in particular for medium-sized companies operating in industry and service sectors.

Lublin voivodship is concerned as a potential business localization in comparison with the other European regions. When it comes to innovativeness, market and human capital factors, the voivodship took the 251st place of 270 regions in the EU and was ranked Class F – see Table 2 in the Appendix.

The voivodship has a competitive advantage when it comes to human capital, ranked Class B. Although its position in the ranking is not very high, the voivodship can compete with the following lower-ranked regions: **in Slovakia**: Východné Slovensko; **in Portugal:** Norte, Alentejo, Região Autónoma dos Açores oraz Centro (PT); **in Italy:** Puglia, Basilicata, Calabria; **in Greece:** Peloponnisos; in Romania: Vest, Nord-Vest, Centru, Sud-Est, Sud-Vest Oltenia, Nord-Est oraz Sud - Muntenia; **in Hungary**: Dél-Alföld; Észak-Alföld; **in Bulgaria:** Severen tsentralen, Yugoiztochen, Yuzhen tsentralen and Severozapaden.

2. Internal diversification of regional investment attractiveness

Counties

The following counties are considered most attractive in Lublin voivodship: Biała Podlaska, Chełm, Zamość, Lublin, Łęczna, Puławy – see Table 2.

Table 2. Potential investment attractiveness of counties of Lublin voivodship for the national economy and selected sections

County	PAI1_GN	PAI1_GN	PAI1_C	PAI1_G	PAI1_I	PAI1_M
Zamość	0.357	A	A	A	A	A
Lublin	0.333	A	A	A	B	A
Chełm	0.317	A	A	A	C	A
Biała Podlaska	0.298	A	A	A	B	A
Puławy	0.268	B	C	C	C	C
Łęczna	0.267	B	B	C	D	C

Source: Authors' own calculations.

The counties mentioned above are characterized by high investment attractiveness. The city of Zamość should be distinguished as it was ranked Class A according to the potential investment attractiveness for all the analysed sections of the national economy.

In reference to the sections mentioned below the following counties should be additionally distinguished (all of them are land counties):

- Puławy (Class C) for section C,
- Puławy, Łęczna (Class C) for section G,
- Chełm, Puławy (Class C) for section I and Puławy and Łęczna for section M.

Synthetic evaluation of potential investment attractiveness of counties of Lublin voivodship is presented in Chart 4.

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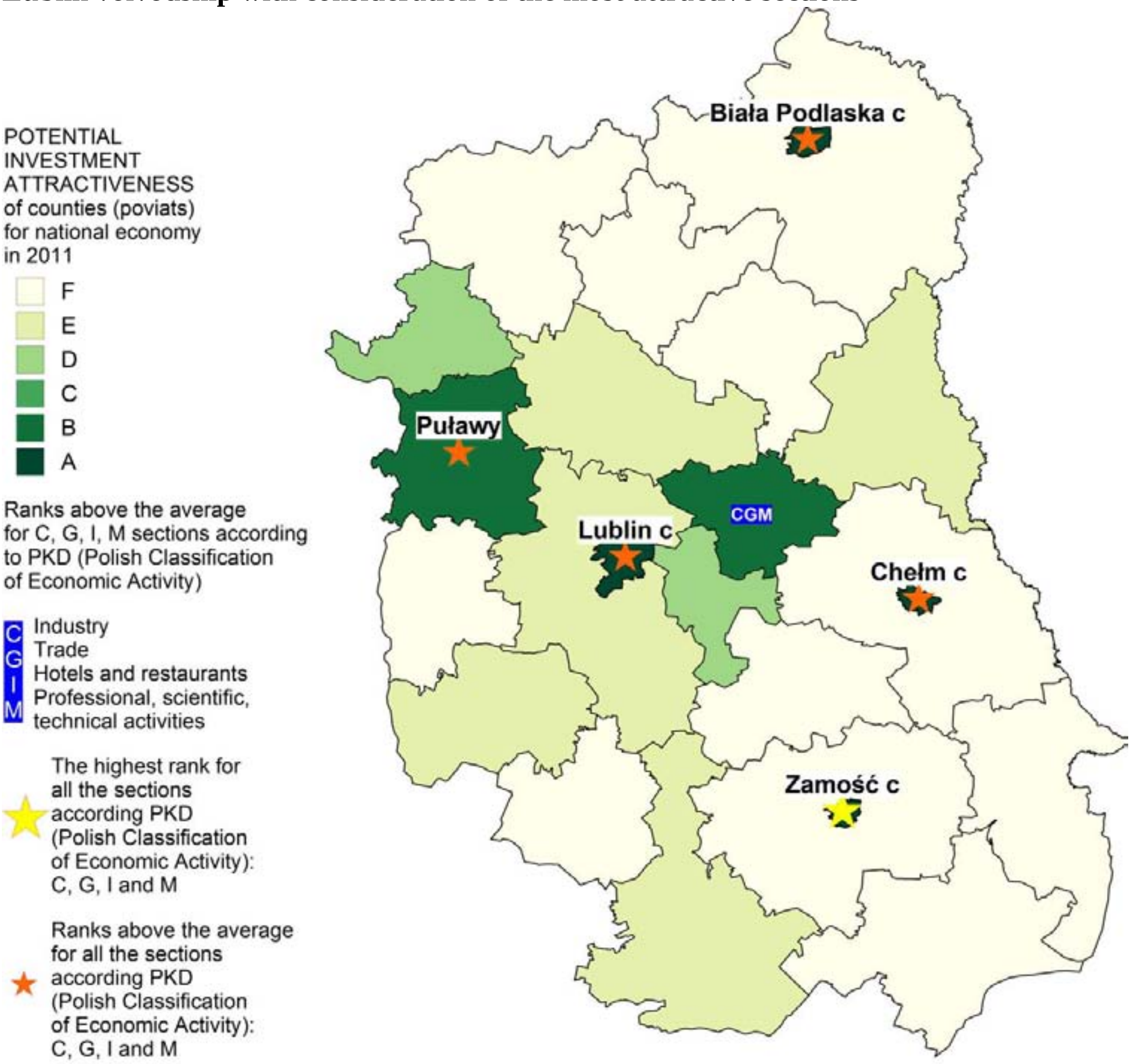
Chart 4. Spatial diversification of potential investment attractiveness of counties of Lublin voivodship with consideration of the most attractive sections



Source: Authors' own materials.

Communes

Like counties, the Lublin voivodship communes are also very much diversified in terms of investment attractiveness. The highest ranked communes are: Lublin (1), Kraśnik (1), Łuków (1), Puławy (1), Radzyń Podlaski (1), Włodawa (1), Biała Podlaska (1), Biłgoraj (1), Rejowiec Fabryczny (1), Tomaszów Lubelski (1), Chełm (1), Zamość (1), Lubartów (1), Łęczna (3), Puchaczów (2), Świdnik (1). It is also reflected in their high ranks (Class A or B) for all the analysed sections – see Table 3.

Table 3. Potential investment attractiveness of communes of Lublin voivodship for the national economy and selected sections

Commune	PAI1_GN	PAI1_GN	PAI1_C	PAI1_G	PAI1_I	PAI1_M
Zamość (1)	0.277	A	A	A	A	A
Świdnik (1)	0.273	A	A	A	B	A
Lublin (1)	0.265	A	A	A	A	A
Chełm (1)	0.260	A	A	A	B	A
Puławy (1)	0.253	A	A	A	B	A
Kraśnik (1)	0.252	A	A	A	C	A
Lubartów (1)	0.250	A	A	A	C	A
Łuków (1)	0.245	A	A	A	C	A
Tomaszów Lubelski (1)	0.245	A	A	A	C	A
Łęczna (3)	0.244	A	A	A	C	A
Puchaczów (2)	0.235	A	A	A	B	B
Radzyń Podlaski (1)	0.234	A	A	A	B	A
Biała Podlaska (1)	0.233	A	A	A	B	A
Włodawa (1)	0.230	A	A	A	C	A
Biłgoraj (1)	0.227	A	A	A	D	A
Rejowiec Fabryczny (1)	0.226	A	A	A	D	A
Krasnystaw (1)	0.216	B	B	B	C	A
Międzyrzec Podlaski (1)	0.216	B	B	A	C	B
Wólka (2)	0.216	B	A	B	B	B
Stoczek Łukowski (1)	0.214	B	B	A	B	B
Poniatowa (3)	0.213	B	B	B	C	B
Hrubieszów (1)	0.211	B	B	B	C	B
Dęblin (1)	0.208	B	B	B	D	B
Janów Lubelski (3)	0.207	B	B	B	A	B
Terespol (1)	0.206	B	B	B	C	C
Lubartów (2)	0.205	B	B	B	B	C
Parczew (3)	0.198	B	B	B	C	C

(1) – urban commune, (2) – rural commune, (3) – urban-rural commune
Source: Authors' own calculations.

Attractive communes are also the Class B communes according to the PAI1_GN index. Among these communes are: Janów Lubelski (3), Stoczek Łukowski (1), Poniatowa (3), Dęblin (1), Międzyrzec Podlaski (1), Terespol (1), Parczew (3), Hrubieszów (1), Krasnystaw (1), Lubartów (2), Wólka (2). The location-specific advantages are also universal for these communes, which makes them attractive for all kinds of business activity concerned in this research.

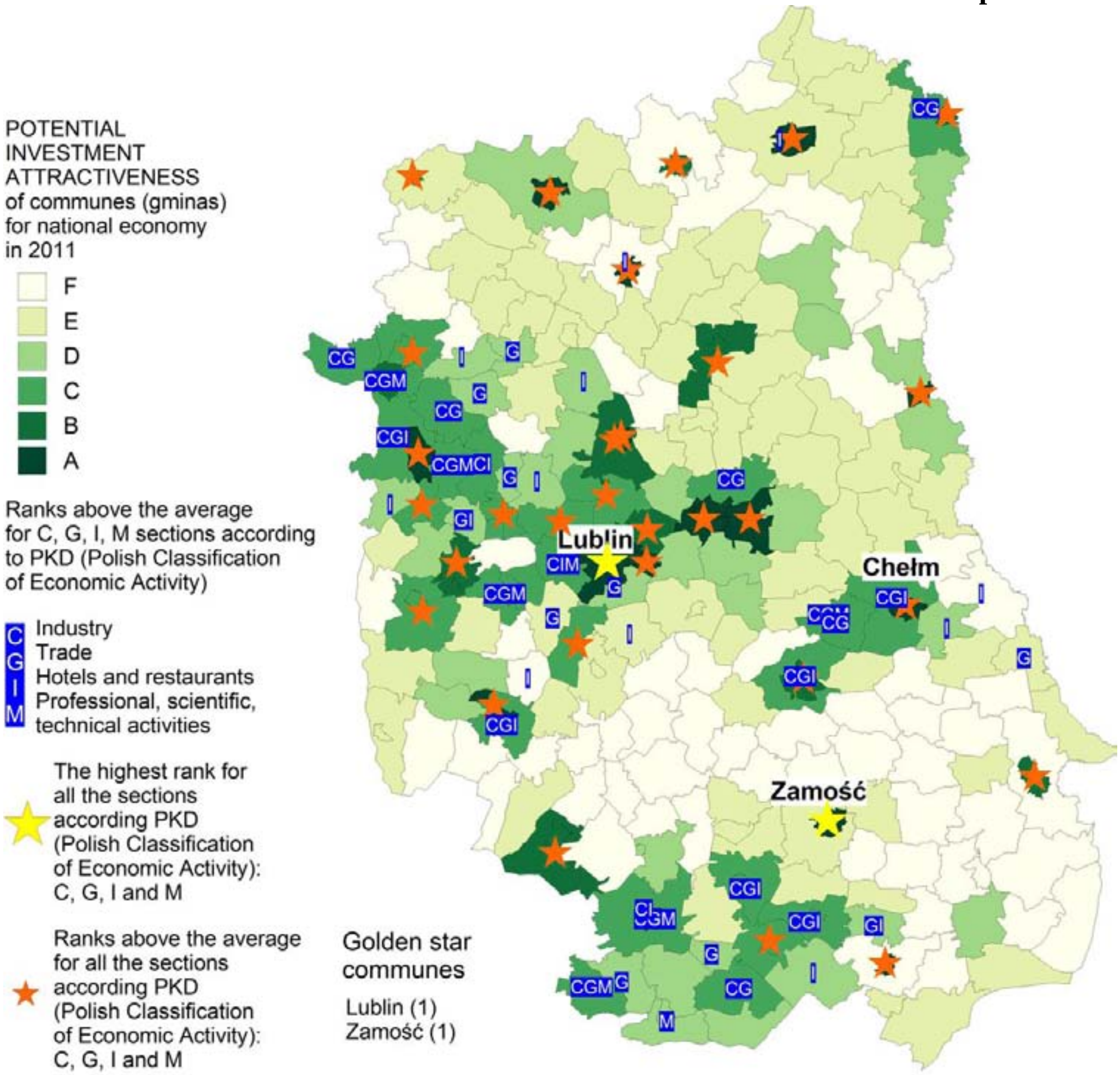
However, this characteristic cannot be found in all of the communes that belong to Class C. Only a few Class C communes fulfil this condition: Tuszyn (3), Stryków (3), Opoczno (3) – see Table 3 in the Appendix.

In reference to the particular sections taken into consideration in this research the following communes of Class C should be distinguished:
:

- Kraśnik (2), Opole Lubelskie (3), Kazimierz Dolny (3), Końskowola (2), Kurów (2), Nałęczów (3), Puławy (2), Żyrzyn (2), Ryki (3), Stężyca (2), Terespol (2), Biłgoraj (2), Józefów (3), Łukowa (2), Potok Górny (2), Chełm (2), Rejowiec (2), Krasnystaw (2), Krasnobród (3), Zwierzyniec (3), Bełżyce (3), Jastków (2), Konopnica (2), Niemce (2), Strzyżewice (2), Ludwin (2) - for section C,
- Kraśnik (2), Opole Lubelskie (3), Baranów (2), Kazimierz Dolny (3), Końskowola (2), Markuszów (2), Nałęczów (3), Puławy (2), Wąwolnica (2), Żyrzyn (2), Stężyca (2), Terespol (2), Aleksandrów (2), Biszcza (2), Józefów (3), Łukowa (2), Chełm (2), Dubienka (2), Rejowiec (2), Krasnystaw (2), Tarnawatka (2), Krasnobród (3), Zwierzyniec (3), Jeziorzany (2), Bełżyce (3), Głusk (2), Jastków (2), Niedrzwica Duża (2), Niemce (2), Strzyżewice (2), Ludwin (2) - for section G,
- Kraśnik (1), Kraśnik (2), Wilkołaz (2), Łuków (1), Opole Lubelskie (3), Poniatowa (3), Janowiec (2), Puławy (2), Wąwolnica (2), Ryki (3), Ułęż (2), Międzyrzec Podlaski (1), Terespol (1), Parczew (3), Radzyń Podlaski (2), Włodawa (1), Biłgoraj (2), Józefów (3), Kamień (2), Hrubieszów (1), Krasnystaw (1), Krasnystaw (2), Tomaszów Lubelski (1), Susiec (2), Tarnawatka (2), Lubartów (1), Firlej (2), Garbów (2), Jabłonna (2), Konopnica (2), Niemce (2), Strzyżewice (2), Łęczna (3) - for section I,
- Opole Lubelskie (3), Kazimierz Dolny (3), Końskowola (2), Ryki (3), Terespol (1), Parczew (3), Józefów (3), Potok Górny (2), Tarnogród (3), Lubartów (2), Bełżyce (3), Jastków (2), Konopnica (2), Niemce (2), Strzyżewice (2) – for section M.

Synthetic evaluation of potential investment attractiveness of communes of Lublin voivodship is presented in Chart 5.

Chart 5. Potential investment attractiveness of communes of Lublin voivodship



Source: Authors' own materials.

3. Voivodship's institutional support for investors and entrepreneurs

The development of business supporting institutions in a region is a vital component of its investment attractiveness. The institutions that support entrepreneurship, pro-investment solutions, research commercialization and enterprises' innovativeness are of special importance. Among the voivodship's business-supporting institutions that influence the voivodship's economic development the following ones should be mentioned (excluding scientific research institutions):

- chambers of commerce: Regionalna Izba Gospodarcza in Lublin, Lubelska Izba Rzemieślnicza in Lublin, Izba Rzemiosła i Przedsiębiorczości in Lublin, Lubelska Okręgowa Izba Inżynierów Budownictwa in Lublin, Puławska Izba Gospodarcza, Bialskopodlaska Izba Gospodarcza, Izba Rzemiosła i Przedsiębiorczości in Lublin, Izba Przemysłowo-Handlowa in Lublin, Kraśnicka Izba Gospodarcza,
- associations (including business centres): Stowarzyszenie Lubelski Klub Biznesu in Lublin, Fundacja Rozwoju Lubelszczyzny, Lubelska Fundacja Rozwoju, Zrzeszenie Handlu i Usług Małych i Średnich Przedsiębiorstw in Lublin, Rada Przedsiębiorczości Lubelszczyzny, Polska Fundacja Ośrodków Wspomagania Rozwoju Gospodarczego „OIC" Poland in Lublin, Fundacja Inicjatyw Menedżerskich in Lublin, Business Centre Club, Lubelski Sejmik Gospodarczy, Biłgorajska Agencja Rozwoju Regionalnego S.A., Fundacja Puławskie Centrum Przedsiębiorczości, Lubelski Związek Pracodawców, Związek Prywatnych Pracodawców Lubelszczyzny „LEWIATAN", Lubelskie Forum Pracodawców,
- business incubators: Akademickie Inkubatory Przedsiębiorczości, Lubelski Inkubator Przedsiębiorczości Politechniki Lubelskiej,
- technology parks, science parks, industrial parks: Lubelski Park Naukowo-Technologiczny, Puławski Park Naukowo-Technologiczny, Lubelskie Centrum Transferu Technologii, Centrum Innowacji i Transferu Technologii LPNT Sp. z o. o., Instytut Medycyny Wsi im. Witolda Chodźki in Lublin, Instytut Agrofizyki PAN in Lublin, Państwowy Instytut Weterynaryjny Państwowy Instytut Badawczy in Puławy, Instytut Nawozów Sztucznych in Puławy, Instytut Uprawy Nawożenia i Gleboznawstwa Państwowy Instytut Badawczy in Puławy, Wojskowy Instytut Higieny i Epidemiologii in Puławy, Krajowe Laboratorium Pasz in Lublin, Centrum Badań Wschodnich Uniwersytet Marii Curie Skłodowskiej, Fundacja Bioelektroniki im. Włodzimierza Sedlaka in Lublin, Instytut Zastosowań Techniki Sp. z o.o. in Lublin,
- consulting centres (including personal consulting and agricultural consulting): Lubelski Ośrodek Doradztwa Rolniczego in Końskowola, "Homo Novus" Centrum Psychoedukacji Doradztwa Personalnego i Szkoleń K. Wojciechowska, Centrum Doradztwa Zawodowego in Lublin, "Consultor" Sp. z o.o. Biuro Doradztwa Personalnego in Lublin,
- financial institutions (guarantee funds): Polski Fundusz Gwarancyjny Sp. z o.o. in Lublin, Biłgorajska Agencja Rozwoju Regionalnego S.A., Netrix Group. Sp. z o.o. in Lublin, Stowarzyszenie Rozwoju Aktywności Społecznej in Chełm, Wschodni Klub Techniki i Racjonalizacji in Zamość, Polska Fundacja Ośrodków Wspomagania Rozwoju Gospodarczego „OIC" Poland in Lublin,

- others: Lubelska Agencja Wspierania Przedsiębiorczości in Lublin, Międzynarodowe Targi Lubelskie.

Regional Economic Chamber in Lublin (Regionalna Izba Gospodarcza) offers trainings and seminars on running business, translation and promotion services as well as multimedia equipment rental. The chamber also runs a data bank of business cooperation (purchase, sale, cooperation, including joint-ventures offers and bid information). The information (acquired from commercial attaches offices and economic chambers i. a. from Hungary, Croatia, Russia, Lithuania, Belarus, Czech Republic, Ukraine and Finland) is sent to chamber’s members. The chamber also distributes information on national and international fair, conferences and economic missions, meetings and trainings. The chamber offers credit bureau services (checking financial condition of Polish and foreign companies) and legalization of certificates of origin as well as documents grant of probate (on behalf of the Polish Chamber of Commerce) (http://www.rig.lublin.pl/, 29 October 2013)

Stowarzyszenie Lubelski Klub Biznesu (Lublin Business Club Society) has an aim of initiating an developing relations in business. At the moment the society has 250 members. The club offers training services, consulting and promotion services. It gathers and publicises the cooperation offers of domestic and external partners. The trainings offered by the club concern i. a. marketing, management, law and economics. The club’s consulting services include meetings with experts on tax and insurance advisory, legal and IT consulting. The society organizes many national-scale and international events such as Investment Forum conference, Economic Cooperation Forum, Companies’ Promotion Programme “Excellence in Business” and Communes’ Promotion Programme “Business Excellence”, as well as trade missions. New opportunities for promotion are offered by the Centre for the Service of Eastern Markets, which aims to support entrepreneurship in the Lublin voivodship by developing direct economic contacts between Poland and Ukraine. The centre offers advice on markets specifics, trade missions to Ukraine, organisation of meetings aimed at establishing contacts with eastern partners and exchange of cooperation offers between exporters. The Club has started the Programme of Joint Purchases for its members, which lowers their operating costs. The programme contains e.g. capital insurance, life insurance, fuel and mineral water purchases as well as mobile phone services. (http://www.lkb.lublin.pl/, 29 October 2013)

Lublin Region Development Foundation (Fundacja Rozwoju Lubelszczyzny) is a centre of National System of Services for Small and Medium Enterprises. It offers information and consulting services as well as trainings on enterprise management, financial management (including raising external sources of financing), marketing management, sales management, quality management. As an institutional and merit partner of a project “From the vision to innovative management over the Gotania subregion” it grants one-time subsidies for starting a business. The foundation organizes trainings, discussion forums, seminars and conferences addressed to entrepreneurs, local government representatives, scientific institutions and NGOs. As a certified employment agency it offers personal counselling, career counselling, employment intermediation and outplacement. The fund also takes up activities that should promote the potential for renewable energy sources use to develop local economy and improve energetic efficiency. It also coordinates Lublin Ecoenergetic Cluster’s work. The foundation supports activities taken for the benefit of the socially excluded and people endangered by social exclusion. Thanks to the social economy project a network was built of

Social Economy Support Centres that are located in foundation's branches in Biała Podlaska, Chełm, Kraśnik, Kubartów, Łuków and Zamość (http://fundacja.lublin.pl/, 29 October 2013)

Lubelska Fundacja Rozwoju (Lublin Development Foundation) offers financial services (credit collaterals, loans, capital investments), consulting services (an Enterprise Europe Network Centre functioning with the Lublin Development Foundation offers advice related to business management and expanding to foreign markets), training services, innovation and technology transfer projects (The Lublin and Eastern Business Angels Network and Business & Innovation Centre in Lublin – BIC). BIC offers services concerning innovation and technology transfer in the sector of small and medium enterprises such as promotion, identification and selection of innovative projects for enterprises and strategic support also after introducing innovative products on the market in order to increase innovative ideas outlast indicator (http://www.lfr.lublin.pl/, 29 October 2013)

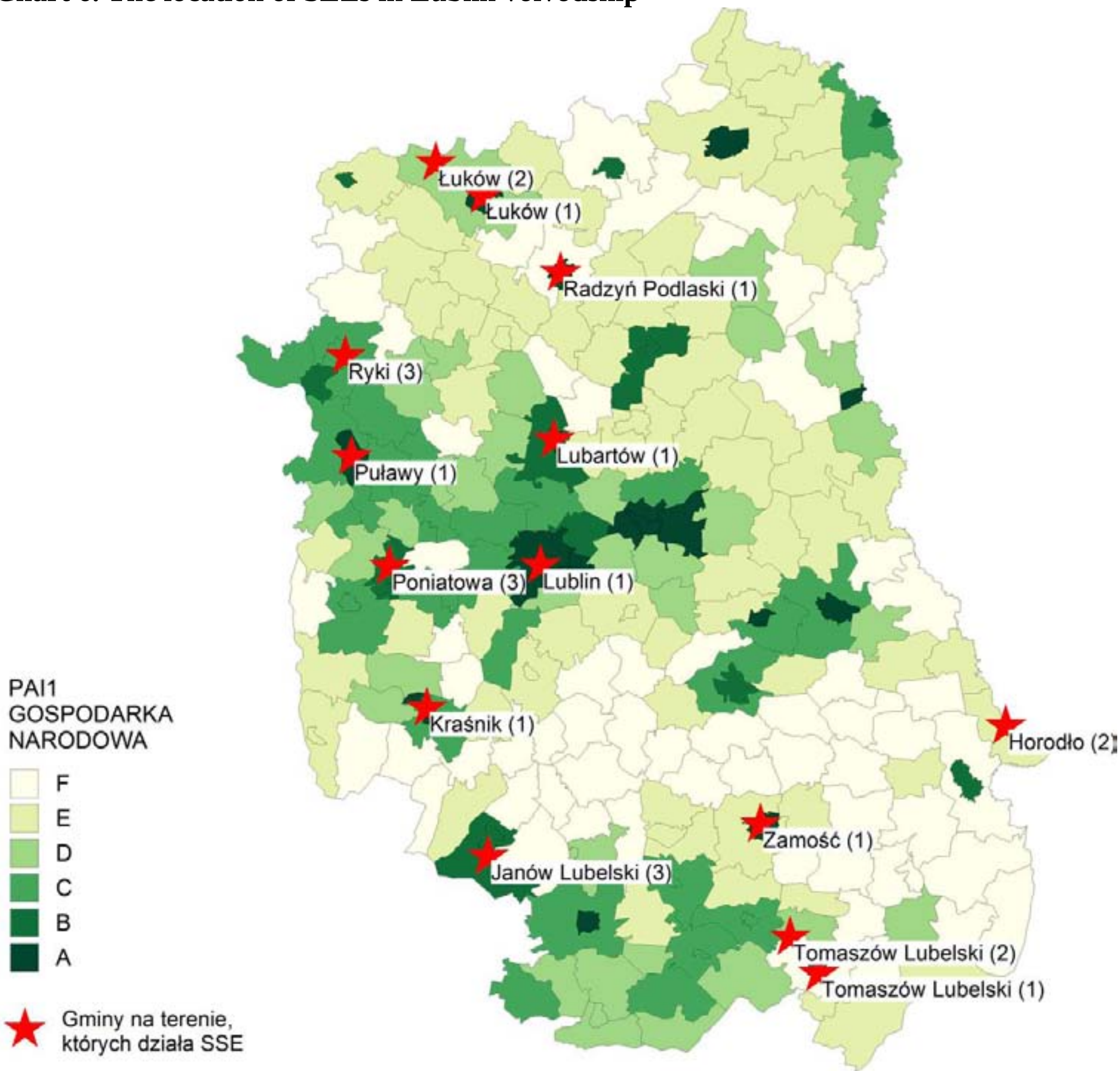
Lubelski Park Naukowo-Technologiczny (Lublin Park of Science and Technology) offers the lease of office space, training space, laboratory space and means of correspondence. The Park facilitates establishment of contacts between the research and business societies by providing a database of research staff. The commercialization of research is supported by the Centre for Innovativeness and Technology Transfer LPNT LLC. The Park houses laboratories of Lublin universities and technology centres. The Centre supports the cluster initiatives as well. (http://www.pntwl.lublin.pl/, 29 October 2013)

Puławski Park Naukowo-Technologiczny (Puławy Research and Technology Park) offers a combination of training and research services as well as services concerning the transfer of technology and business creation. It offers office and production-laboratory space for developing companies and can support the management of investment areas for expanding technology firms. In the incubation process the units that are beginning or planning to begin their economic activity can access this offer on preferential conditions. The park also offers a virtual office which includes administrative, without the company's necessary presence at a given place. This also helps to promote company's credibility thanks to a prestigious localisation and minimises operating costs. (http://www.ppnt.pulawy.pl/, 29 October 2013)

Special economic zones in Lublin voivodship – effects

There are 3 special economic zones (SEZs) in Lublin voivodship: Mielec SEZ, Starachowice SEZ and Tarnobrzeg SEZ. At the end of 2012 the areas of the SEZs were parts of 8 cities and 6 communes – see Chart 6.

Chart 6. The location of SEZs in Lublin voivodship



Note: Red stars indicate communes with SEZ subzones within their areas.
Source: Authors' own calculations

The first SEZ areas were brought into life in 2001 in Poniatowa, and the next ones in 2007. The investment outlays made by SEZ companies operating in the communes of Lublin voivodship by the end of 2012 amounted to PLN 876 million, which made 1% of all investment outlays made in the Polish SEZs. In the same time the SEZ companies in the region created 504 new jobs which is less than 1% of all jobs created in the Polish SEZs (see Table 4).

Table 4. Effects of special economic zone functioning at the end of 2012

SEZ/	County, Commune	Leading industries (at least 20% share of revenue or employment	Cumulated capital expenditure in million PLN (end of 2012)	Jobs number (end of 2012)
Mielec / Radzyń Podlaski	Radzyń Podlaski, Radzyń Podlaski (1)	no investors yet		
Tarnobrzeg / Horodło	Hrubieszów, Horodło (2)	no investors yet		
Tarnobrzeg / Tomaszów Lubelski	Tomaszów Lubelski, Tomaszów Lubelski (1)	no investors yet		
Tarnobrzeg / Tomaszów Lubelski	Tomaszów Lubelski, Tomaszów Lubelski (2)	no investors yet		
Mielec / Zamość	Zamość (city), Zamość (1)	wood, wood and cork products, except furniture; articles of straw and plaiting materials	24.58	41
Mielec / Lubartów	Lubartów , Lubartów (1)	other non-metallic mineral products	2.21	2
Mielec / Lublin	Lublin (city), Lublin (1)	fabricated metal products (except machinery and equipment)	447.48	364
Tarnobrzeg / Janów Lubelski	Janów Lubelski, Janów Lubelski (3)	no investors yet		
Tarnobrzeg / Kraśnik	Kraśnik, Kraśnik (1)	no investors yet		
Tarnobrzeg / Łuków	Łuków, Łuków (1)	no investors yet		
Tarnobrzeg / Łuków	Łuków, Łuków (2)	machinery and equipment n.e.c.	3.10	27
Tarnobrzeg / Radom	Opole Lubelskie, Poniatowa (3)	no investors yet		
Starachowice / Puławy	Puławy, Puławy (1)	chemicals and chemical products	399.20	70
Tarnobrzeg / Ryki	Ryki, Ryki (3)	no investors yet		

Source: Authors' own calculations based on the Ministry of Economy data.

The largest investments in voivodship's SEZs have been completed in Puławy within the area of Zakłady Azotowe PUŁAWY S.A. (nitrogen works). The new investment in chemical industry were taken up by Zakłady Azotowe Puławy and Inwestycje Air Liquide, a producer of industrial and medical materials. In the Lublin zone the leading investments include metalwork production (ALIPLAST Sp. z o.o., Ball Packaging Europe Lublin Sp. z o.o., DAEWON EUROPE Sp. z o.o., MPC Metal Sp. z o.o., MW LUBLIN Sp. z o.o., Verano Ryszard Miazga),) and in Łuków – steel constructions (STOK-ROL Sp. J.).

According to the SEZs Development Plans, the voivodship intends to acquire the following kinds of investors:

- investors who would utilize the working force and capital of the closed automobile industry, ceramic and construction industries (thanks to the common resource pool) and investors in biotechnology and hi-tech services because of the presence of an important academic centre – in Mielec SEZ,

- investors that would make use of areas left by the state agricultural enterprises by utilising the local resource pool for ceramic, wood and construction material industries - in SEZs Tarnobrzeg and Starachowice.

'A' Commune

Student Scientific Organisation for Entrepreneurship and Regional Analyses affiliated to the Institute of Enterprise of the Warsaw School of Economics, has again published the results of its research into the quality of investor assistance offered by the communal authorities.

The subject of this qualitative research of investment attractiveness is evaluation of the websites and evaluation of e-mail contact with communal authorities in two languages: Polish and English. The effect of this research is a ranking 'A' Commune, which is thought to distinguish best performing self-government territorial units in terms of the use of means of electronic communication to provide assistance to the customers. The research is carried out with the use of mystery client method. In this year's edition all communes belonging to Class A and B according to the PAI 2011 index were subject to the evaluation.

As a result 90 communes were distinguished, of which 5 are situated in Lublin voivodship (see Table 5).

Table 5. Communes in Lublin voivodship distinguished as 'A' Communes

Place in the ranking (for the whole country)	Commune	Evaluation of websites (score)	Evaluation of e-mail contact in Polish (score)	Evaluation of e-mail contact in English (score)	Sum
2	Lublin (1)	15.0	13.0	7.0	35.0
44	Zamość (1)	8.0	11.0	4.0	23.0
53	Biała Podlaska (1)	12.5	0.0	9.0	21.5
66	Łęczna (3)	11.5	9.0	0.0	20.5
71	Biłgoraj (1)	9.0	11.0	0.0	20.0

Source: Authors' own materials based on the research results.

. Lublin's high place is due to its positive evaluation of the content of its Web site which is also available in the Ukrainian, Belarussian and Spanish languages.

Lublin, Zamość and Biała Podlaska should be distinguished as they answered English the e-mails sent in English. Łęczna's website offers SMS-system that allows it to keep in touch with citizens and investors.

4. Region's strengths and weaknesses

Lublin voivodship has its unique character and clear specificity which influences its strengths and weaknesses. If divided according to the main factors of location and location conditions classified into microclimates that influence potential and real investment attractiveness, they can be grouped into strengths (microclimates with ranking A, B or C) and weaknesses (microclimates with ranking D, E or F) – see Table 6.

Table 6. Strengths and weaknesses of Lublin voivodship

Strengths of the region according to the microclimates by the Institute of Enterprise of the Warsaw School of Economics	Weaknesses of the region according to the microclimates by the Institute of Enterprise of the Warsaw School of Economics
National economy	
Social Microclimate Class A Profitability of enterprises Class C	Microclimate Human Resouces Class F Microclimate Technical Infrastructure Class F Microclimate Social Infrastructure Class D Market Microclimate Class F Microclimate Administration/Government Class E Microclimate Innovativeness Class E Productivity of entreprises Class F Returns on tangible assets Class D Self-financing of self-government Class F Investment outlays Class E
Capital-intensive industry	
Social Microclimate Class B Microclimate Administration/Government Class C	Microclimate Human Resouces Class E Microclimate Technical Infrastructure Class F Microclimate Social Infrastructure Class D Market Microclimate Class F Microclimate Innovativeness Class E Returns on tangible assets Class D Productivity of entreprises Class E Self-financing of self-government Class F Investment outlays Class D
Labour industry	
Microclimate Social Infrastructure Class C Social Microclimate Class B	Microclimate Human Resouces Class F Microclimate Technical Infrastructure Class F Market Microclimate Class F Microclimate Administration/Government Class D Returns on tangible assets Class D Productivity of entreprises Class E Self-financing of self-government Class F Investment outlays Class D
Trade	
Social Microclimate Class C	Microclimate Human Resouces Class F Microclimate Technical Infrastructure Class F Microclimate Social Infrastructure Class D

	Market Microclimate Class F Microclimate Administration/Government Class D Returns on tangible assets Class D Productivity of entreprises Class E Self-financing of self-government Class F Investment outlays Class E
Tourism	
Social Microclimate Class C Returns on tangible assets Class A Productivity of entreprises Class C	Microclimate Human Resouces Class F Microclimate Technical Infrastructure Class F Microclimate Social Infrastructure Class E Market Microclimate Class E Microclimate Administration/Government Class F Self-financing of self-government Class F Investment outlays Class D
Professional, scientific and technical activities	
Social Microclimate Class A Microclimate Administration/Government Class C Investment outlays Class C	Microclimate Human Resouces Class D Microclimate Technical Infrastructure Class F Microclimate Social Infrastructure Class D Market Microclimate Class F Microclimate Innovativeness Class E Returns on tangible assets Class F Productivity of entreprises Class E Self-financing of self-government Class F

Source: Authors on the basis of the results of research of the Institute of Enterprise of the Warsaw School of Economics.

Summary

The engines of economic development of Lublin voivodship are the city counties: Biała Podlaska, Chełm, Zamość, Lublin, Łęczna and Puławy as well as the special economic zones in the region.

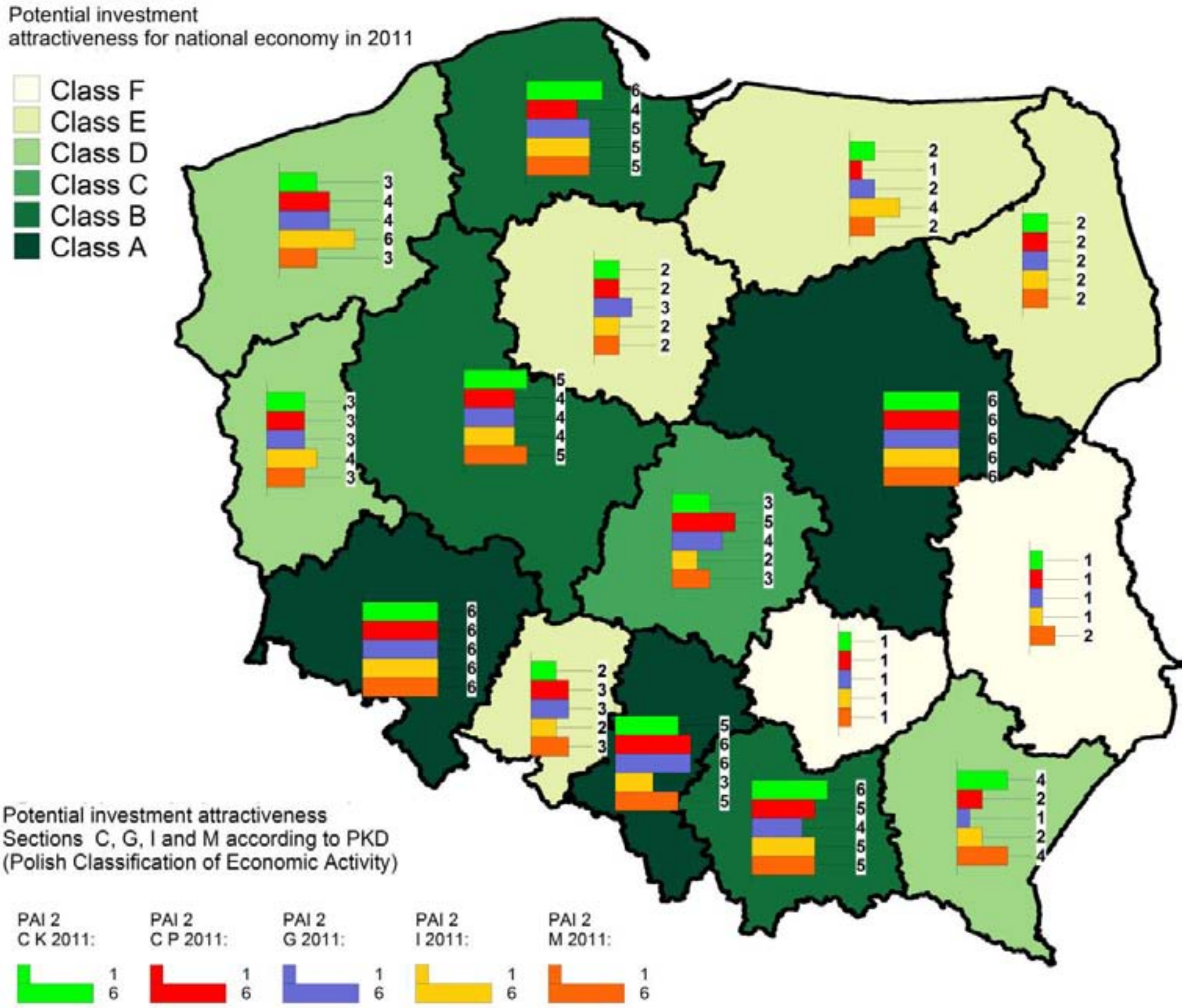
Lublin voivodship has predispositions to **create interregional clusters**, especially in sectors such as: manufacture of clothes, manufacture of fabricated metal products (except machinery and equipment), manufacture of dairy products, manufacture of grain mill products, starches and starch products and manufacture of structural metal products.

It can also develop **intelligent specializations** in the medium-high-tech sectors, basing on the competitive big and medium-sized companies in the **sectors of medium-low technology**: manufacture of fabricated metal products excluding machinery and equipment and excluding weapons and ammunition and in **sectors of low technology:** manufacture of clothes and manufacture of furniture.

The voivodship is also characterised by competitiveness of small and medium enterprises from the **knowledge-based services sectors**, such as architecture and engineering, technical research and analyses and security and investigation activities.

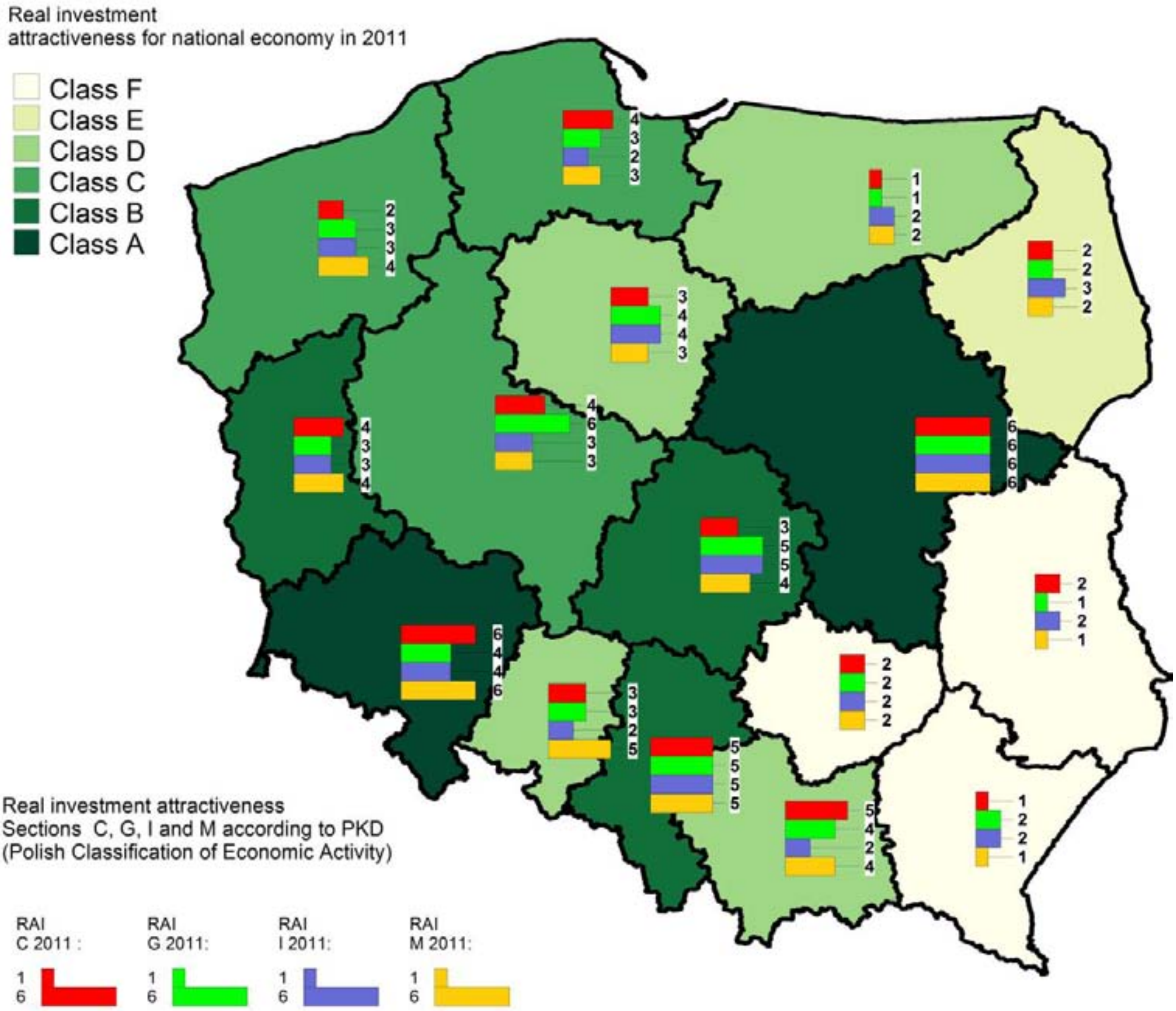
APPENDIX

Chart 1. Potential investment attractiveness of Polish voivodships by basic sections of the national economy



Source: Authors' own materials based on the research.

Chart 2. Real investment attractiveness of Polish voivodships by basic sections of the national economy



Source: Authors' own materials based on the research.

Table 1. List of investment attractiveness indices for voivodships

Voivodship	LOWER SILESIAN	KUYAVIAN-POMERANIAN	LUBLIN	LUBUSZ	ŁÓDŹ	LESSER POLAND	MAZIOVIAN	OPOLE	SUBCARPATHIAN	PODLASKIE	POMERANIAN	SILESIAN	ŚWIĘTOKRZYSKIE	WARMIAN-MASURIAN	GREATER POLAND	WESTERN POMERANIAN
PAI1 GN	A	D	F	D	D	C	A	E	D	E	B	A	F	D	B	B
PAI2 GN	A	E	F	D	C	B	A	E	D	E	B	A	F	E	B	D
RAI GN	A	D	F	B	B	D	A	D	F	E	C	B	F	D	C	C
PAI1 C	A	D	F	D	C	C	A	D	E	F	B	A	F	E	B	B
PAI2 C CAPITAL	A	E	F	D	D	A	A	E	C	E	A	B	F	E	B	D
PAI2 C LABOUR	A	E	F	D	B	B	A	D	E	E	C	A	F	F	C	C
RAI C	A	D	E	C	D	B	A	D	F	E	C	B	E	F	C	E
PAI1 G	A	F	F	B	E	B	A	D	D	F	A	C	F	C	C	B
PAI2 G	A	D	F	D	C	C	A	D	F	E	B	A	F	E	C	C
RAI G	C	C	F	D	B	C	A	D	E	E	D	B	E	F	A	D
PAI1 I	B	E	F	C	E	B	A	E	E	E	A	C	F	C	C	A
PAI2 I	A	E	F	C	E	B	A	E	E	E	B	D	F	C	C	A
RAI I	C	C	E	D	B	E	A	E	E	D	E	B	E	E	D	D
PAI1 M	A	E	F	D	D	C	A	D	D	E	B	A	F	D	B	B
PAI2 M	A	E	E	D	D	B	A	D	C	E	B	B	F	E	B	D
RAI M	A	D	F	C	C	C	A	B	F	E	D	B	E	E	D	C

Source: Authors on the basis of the results of statutory research carried out under the guidance of H. Godlewska-Majkowska.

Table 2. Potential investment attractiveness of Polish voivodships according to the EU potential investment attractiveness index PAI _UE in 2011

	Microclimate Human Capital	Microclimate Market	Microclimate Innovativeness	Composite index
Lower Silesian	B	D	D	D
Kuyavian-Pomeranian	B	E	F	E
Lublin	B	F	E	F
Lubusz	A	F	E	E
Łódź	A	E	E	E
Lesser Poland	C	E	E	E
Mazovian	A	C	B	B
Opole	C	F	E	F
Subcarpathian	C	F	E	F
Podlaskie	B	F	E	F
Pomeranian	B	D	D	D
Silesian	B	D	E	D
Świętokrzyskie	A	F	F	F

Warmian-Masurian	B	F	E	F
Greater Poland	A	E	E	E
Western Pomeranian	C	E	E	E

Source: Authors' own materials based on calculations of H. Godlewska-Majkowska and M. Czernecki, made in the course of statutory research *Investment attractiveness and enterprise localization in the global economy* (the team: H. Godlewska-Majkowska, Ph.D., university professor at the Warsaw School of Economics – head of research, P. Bartoszczuk, Ph.D., P. Zarębski, Ph.D., M. Typa, M.A., M. Czernecki, M.A.).

Table 3. Potential investment attractiveness of counties of Lublin voivodship for the national economy and selected sections

County	PAI1_GN	PAI1_GN_ Classes	PAI1_C_ Classes	PAI1_G_ Classes	PAI1_I_ Classes	PAI1_M_ Classes
Zamość	0.357	A	A	A	A	A
Lublin	0.333	A	A	A	B	A
Chełm	0.317	A	A	A	C	A
Biała Podlaska	0.298	A	A	A	B	A
Puławy	0.268	B	C	C	C	C
Łęczna	0.267	B	B	C	D	C

Source: As in Table 1.

Table 4. Potential investment attractiveness of communes of Lublin voivodship for the national economy and selected sections

Commune	PAI1_GN	PAI1_GN_Classes	PAI1_C_ Classes	PAI1_G_ Classes	PAI1_I_ Classes	PAI1_M_ Classes
Zamość (1)	0,277	A	A	A	A	A
Świdnik (1)	0,273	A	A	A	B	A
Lublin (1)	0,265	A	A	A	A	A
Chełm (1)	0,260	A	A	A	B	A
Puławy (1)	0,253	A	A	A	B	A
Kraśnik (1)	0,252	A	A	A	C	A
Lubartów (1)	0,250	A	A	A	C	A
Łuków (1)	0,245	A	A	A	C	A
Tomaszów Lubelski (1)	0,245	A	A	A	C	A
Łęczna (3)	0,244	A	A	A	C	A
Puchaczów (2)	0,235	A	A	A	B	B
Radzyń Podlaski (1)	0,234	A	A	A	B	A
Biała Podlaska (1)	0,233	A	A	A	B	A
Włodawa (1)	0,230	A	A	A	C	A
Biłgoraj (1)	0,227	A	A	A	D	A
Rejowiec Fabryczny (1)	0,226	A	A	A	D	A
Krasnystaw (1)	0,216	B	B	B	C	A
Międzyrzec Podlaski (1)	0,216	B	B	A	C	B
Wólka (2)	0,216	B	A	B	B	B
Stoczek Łukowski (1)	0,214	B	B	A	B	B
Poniatowa (3)	0,213	B	B	B	C	B
Hrubieszów (1)	0,211	B	B	B	C	B

Dęblin (1)	0,208	B	B	B	D	B
Janów Lubelski (3)	0,207	B	B	B	A	B
Terespol (1)	0,206	B	B	B	C	C
Lubartów (2)	0,205	B	B	B	B	C
Parczew (3)	0,198	B	B	B	C	C
Bełżyce (3)	0,196	C	C	C	D	C
Ryki (3)	0,196	C	C	B	C	C
Opole Lubelskie (3)	0,196	C	C	C	C	C
Potok Górny (2)	0,195	C	C	B	D	C
Kazimierz Dolny (3)	0,194	C	C	C	B	C
Jastków (2)	0,194	C	C	C	A	C
Kraśnik (2)	0,193	C	C	C	C	D
Krasnystaw (2)	0,193	C	C	C	C	D
Niemce (2)	0,192	C	C	C	C	C
Terespol (2)	0,191	C	C	C	D	D
Nałęczów (3)	0,190	C	C	C	B	B
Końskowola (2)	0,189	C	C	C	D	C
Ludwin (2)	0,189	C	C	C	D	D
Puławy (2)	0,188	C	C	C	C	D
Stężyca (2)	0,188	C	C	C	D	D
Krasnobród (3)	0,187	C	C	C	B	D
Józefów (3)	0,187	C	C	C	C	C
Łukowa (2)	0,185	C	C	C	D	D
Chełm (2)	0,185	C	C	C	B	D
Biłgoraj (2)	0,182	C	C	D	C	D
Kurów (2)	0,182	C	C	D	A	D
Strzyżewice (2)	0,182	C	C	C	C	C
Zwierzyniec (3)	0,181	C	C	C	B	D
Rejowiec (2)	0,181	C	C	C	D	D
Żyrzyn (2)	0,180	C	C	C	D	D
Konopnica (2)	0,180	C	C	D	C	C

Source: As in Table 1.

Note: All the indices in the report have been calculated on the basis on the most up-to-date data from the Regional Data Bank (RDB), 2013.