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Poland's Responsible Development Plan: An Opportunity for Private Investors

What?

A new vision of a long-term economic development of the Polish state, presented by Polish Deputy Prime Minister Mateusz Morawiecki, head of the Ministry of Development.

When?

It reflects a new model of economic development with a clear emphasis on priorities and sets targets for the 2016–2020 and the 2016–2030 period in terms of economic, institutional and social progress.

How?

It depicts the main means of improvement (financial, economic, social, institutional and legal), based on the development of five crucial "pillars" of economic progress.

Economic Conditions in Poland (2015)

GDP	3.7%
GDP growth (last 10 years)	30.1%
Ease of doing business*	25th out of 189 globally
Credit Ratings	A2 (Moody's), BBB+(S&P), A- (Fitch)
FDI	1.32% of GDP

*World Bank ranking

One of the most important diagnoses made in the introduction of the Responsible Development Plan is the urgent **need of increasing investment** in Poland, both in terms of domestic and foreign investment.

Morawiecki's plan points out five main threats (development traps) for the Polish economy which may lead to a gradual decrease of its competitiveness.

Presenting a long-term strategy of how to preserve and enhance future economic development, it puts **a particular emphasis on boosting the insufficient level of private capital spending**.

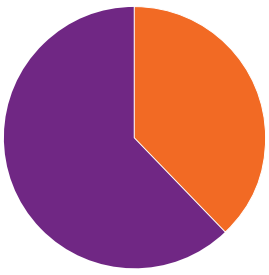
Problem 1:

Low average level of investment's contribution to GDP (2005–2015)

Poland	OECD countries	Region
20.3%	21.3%	24.2%

Problem 2:

Low level of private sector investments



62% Private sector investments

38% Public sector investments

Reason: The main reasons for the insufficient level of private investment spending are related to issues with the banking sector and the capital market. Currently banks are much more devoted to consumption and mortgage credits (over 28% of all credits). Only 16% are given as a form of financial support for investments. As far as the capital market is concerned, various debt instruments are responsible for only 30% of investment funding (in comparison to 42% in EU and 70% in the US).

Business Model

The Responsible Development Plan is based on **five pillars of growth**, aimed at increasing the rate of economic development. An investment opportunity can be seen in the first pillar: Reindustrialization.

Reindustrialization

- **An intensification of investment in market niches** – Segments where Polish enterprises are most likely to succeed or where the Polish economy can create favourable conditions for the rapid growth of modern industries (mainly related to modern technologies).
- **Main methods**:
  a. Creation of strategic partnerships between different branches
  b. Establishing clusters for specific industries
  c. The use of a wide range of different forms of state support for private investment (e.g. legal, economic and institutional help)

Flagship Projects

1. Activation of the shipbuilding industry: "**BATORY**" project

Target	Design of Polish modern passenger ferryboats
Long-term target	Production of complex, specialised units with a high value added
Why is it possible	Rapid growth of LNG-fuelled vessels; space for new market players

2. Production of modern military products: "**ŻWIRKO & WIGURA**" project

Target	Design and production of drones; both military and civilian types
Long-term target	Building a strong position on the global drones market
Why is it possible	Forecasted strong growth of the unmanned aerial vehicle market

3. Development of the electromobility branch: "**E-BUS**" project

Target	Design of electric vehicles destined for use in the public transport sector
Long-term target	Creation of a domestic chain of production related to electromobility
Why is it possible	Worldwide increase in the demand for low-carbon vehicles

Other sectors with potential: Infrastructure, car components, IT, chemical industry, furniture, food processing, specialist software (e.g. fintech, video games), medical branch-related products, high-quality food.

Deal Type

Preferable Types of Investments

- R&D centres and know-how transfer
- High value-added products created for markets with big potential worldwide (market niche strategy)
- Products with high technological intensity
- High integration of modern digital technologies (e.g. big data, artificial intelligence)

Types of Investment Support

- Employment and investment grants
- Income and property tax exemptions
- "Start in Poland" programme (start-ups)
  Guarantee fund for small and middle-sized companies
- EU investment funds

Real-life example:
R&D centre built in Tarnów by Azoty Group

What	Modern R&D centre
Who	Azoty Group
Target	Innovation boost for chemical industry
Financing	20 mln PLN grant out of 88 mln PLN investment

KPIs and Financials

According to the Responsible Development Plan, up to nearly 1.5 trillion PLN will be devoted to investments until 2020.

Source	Investment Potential (billion PLN):
Polish treasury	75-150
Private companies	max. 230
Banking sector	90
Polish development fund	75-120
Development programmes	65-100
EU funding	480
International institutions	50-80

How is the Plan already implemented? Example of the R&D sector in 2016

Funds from the Ministry of Development	2.9 billion PLN (three rounds)
Acceptance rate	51%
Average level of subsidy	4.75 million PLN

According to the Responsible Development Plan, the targeted rate of investment in 2020 is 25% of GDP (currently it stands at a level close to 20%) – e.g., it aims at increasing R&D spending from 0.8% to 2%.

Partnerships and Cooperation

The Responsible Development Plan is open to private investors already present in Poland or interested in entering it.

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