

Ministry of Entrepreneurship and Technology

---

## **ENTREPRENEURSHIP IN POLAND**

**Warsaw, September 2018**

***Prepared by:***

Ministry of Entrepreneurship and Technology  
Economic Analyses Department

*with the cooperation of:*

Department of Innovation; Department of Small and Medium Enterprises; Department of Trade and International Cooperation; Investment Development Department; Department of Improving Economic Regulations.



*Nowadays entrepreneurs are at the spearhead in creating the economic reality. It is entrepreneurs - employers, employees and attitudes presented by them - which create welfare of the country. Their creativity, adaptability or readiness to take risk cause that they boldly implement ideas for their own business, while our economy receives a measurable developmental impulse.*

*An entrepreneurial attitude allows for the development despite of barriers which are often encountered by entrepreneurs. This does not exempt policymakers from creating better and better conditions for conducting economic activity. Last year was characterised by many regulatory changes, earlier announced in the government Strategy for Responsible Development. Problems in economic activity were identified through consultations with business organisations. They were addressed, inter alia, in the facilitation package for entrepreneurs "100 changes for enterprises". Relieving the entrepreneurs of many unnecessary administrative burdens, strengthening their position in the control proceedings or favourable changes in interpretation are measurable savings for enterprises and citizens. The flagship legislative initiative, i.e. the "Constitution for business" is the largest commercial law reform after 1989, strengthening rights and guarantees of entrepreneurs. It gives hope for establishing more partnership relations between entrepreneurs and public administration.*

*The improvement of framework conditions is beneficial to limiting the perceived risk. Thus, it creates a room for broader involvement in development processes, including innovative ones. I believe that dedicated support instruments will additionally promote innovative attitudes of enterprises. We have high hopes for the so-called second Innovativeness Act which, inter alia, significantly increases the amount of a tax relief for business R&D activities. The Start in Poland programme supports one of key target groups – young, innovative enterprises. In the contemporary world it is them who provide an impetus for creating and using innovative, often breakthrough solutions. Furthermore, we support inventors, the example of which is the Programme Good Idea targeted at the authors of innovative solutions, applying as natural persons.*

*Giving You this report I believe that openness to opinions and signals from entrepreneurs is a precondition for success of entrepreneurship policy. The presented examples of measures in the legislative sphere show that this is possible and necessary in every respect.*



# TABLE OF CONTENTS

<b>INTRODUCTION.....</b>	<b>7</b>
<b>SYNTHESIS .....</b>	<b>8</b>
<b>STRATEGIC CONTEXT .....</b>	<b>10</b>
<b>1. MACROECONOMIC CONDITIONS IN 2017 .....</b>	<b>13</b>
1.1 GLOBAL MACROECONOMIC CONDITIONS IN 2017 .....	13
1.1.1 GENERAL SITUATION OF THE GLOBAL ECONOMY .....	13
1.1.2 GLOBAL MERCHANDISE TRADE .....	14
1.1.3 PROSPECTS FOR THE DEVELOPMENT OF GLOBAL TRADE IN 2018 .....	16
1.1.4 GLOBAL PUBLIC FINANCE .....	17
1.2 MACROECONOMIC SITUATION IN POLAND IN 2017 .....	18
1.2.1 ECONOMIC GROWTH AND ITS DRIVERS .....	19
1.2.2 INVESTMENTS .....	20
1.2.3 FOREIGN TRADE .....	21
1.2.4 LABOUR MARKET AND LABOUR COSTS .....	22
1.2.5 INFLATION AND MONETARY POLICY .....	24
<b>2. CHARACTERISTICS OF POLISH ENTERPRISES .....</b>	<b>25</b>
2.1 DEMOGRAPHY OF POLISH ENTERPRISES .....	25
2.2 POLISH ENTERPRISES IN THE CONTEXT OF THE SMALL BUSINESS ACT .....	31
2.3 ECONOMIC AND FINANCIAL SITUATION OF ENTERPRISES IN 2017 .....	34
2.4 ANALYSIS OF THE SECTOR OF MICROENTERPRISES IN 2016 .....	38
2.5 STRUCTURAL CHANGE – A SECTORAL APPROACH .....	38
<b>3. DEVELOPMENT PROCESSES IN ENTERPRISES .....</b>	<b>41</b>
3.1 INNOVATION AND TECHNOLOGICAL DEVELOPMENT .....	42
3.2 INTERNATIONALISATION OF OPERATIONS .....	57
3.3 COOPERATION OF ENTERPRISES WITHIN SPECIAL ECONOMIC ZONES AND CLUSTERS .....	66
3.4 BARRIERS TO BUSINESS ACTIVITY .....	69
<b>4. INSTITUTIONAL ENVIRONMENT OF ENTERPRISES .....</b>	<b>76</b>
4.1 INSTITUTIONAL AND LEGAL ENVIRONMENT .....	77
4.2 FINANCING BUSINESS ACTIVITY .....	91
<b>5. COMPETITIVE POSITION OF THE POLISH ECONOMY .....</b>	<b>101</b>
5.1 INTERNATIONAL COMPETITIVENESS RANKINGS .....	101
5.2 POLAND COMPARED TO OTHER EU MEMBER STATES .....	105
<b>ANNEX I - STATISTICAL TABLES - DATA ON ENTERPRISES .....</b>	<b>107</b>
<b>ANNEX II IMPLEMENTATION OF THE SMALL BUSINESS ACT IN POLAND IN 2017 .....</b>	<b>115</b>



## INTRODUCTION

This year's report is the 16th edition of the cyclical study prepared in the Ministry of Entrepreneurship and Technology. The purpose of this document is to comprehensively depict the situation of enterprises in Poland. It shows conditions for operation of enterprises, with special reference to SME sector, against a background of the global and national macroeconomic situation. The provided information mostly concerns 2017 and changes which have taken place in the institutional environment since the previous report was presented.

In general, in 2017 the macroeconomic environment promoted the development of enterprises. Economic growth at the level of 4.6% has been the highest since 2007. It was primarily driven by consumption. Acceleration in investments in the second half of 2017 allowed for their real growth by 3.4% during the whole year. After a significant slowdown in foreign trade in 2016 the last year brought the increase in the Polish exports by almost 12%.

In such macroeconomic conditions performance of enterprises improved. Revenues from overall activity, financial results and profitability indicators rose. The number of persons employed and average employment increased. After a decline in 2016 the increase in investment expenditure was recorded.

Growing number of registered companies, including in particular commercial companies (by about 7%) in the previous year should be considered as an element of a positive structural change, despite of the fact that this has not translated into the visible share of companies in the structure of economic entities yet. The positive image was complemented by the faster growth of value added in modern sectors, e.g. in information and communication or financial and insurance services.

Entrepreneurship conditions the economic development. Therefore, it is not without reason that it was explicitly reflected in the Strategy for Responsible Development. Implementing provisions of the strategy, two important reforms in the commercial law, were introduced in the last two years. Acts included in the Constitution for Business were adopted, among others. They entered into force on 30 April 2018.

Information presented in the main part of the report (Chapters 1-5) is completed with the synthetic report on the *Small Business Act* implementation in Poland (Annex II). The SBA is an action plan for small and medium-sized enterprises in the form of specific measures implemented at the level of both the European Union and the individual Member States. Furthermore, Annex I presents statistical data related to enterprises.

## SYNTHESIS

**2017 was good for Poland, thanks to the favourable situation in the world and reforms carried out in the country. The global economy grew by 3.8%, while the national economy - by 4.6%.** The growth in the country was mainly based on household expenditure. Thanks to programme "Family 500 Plus" the improvement of their financial situation resulted in the additional demand for goods and services offered by Polish enterprises. In the second half of the year investments significantly accelerated, thanks to which their value during the whole 2017 was 3.4% higher in real terms than in the previous year. Positive effects of pro-investment changes in conditions of conducting economic activity, such as the Constitution for Business, the increased R&D tax relief, improved principles of granting allowances for new investments or the growing role of the Polish Development Fund Group will be more and more visible in further years.

**Poles earn more and have less and less difficulties in finding employment.** Unemployment rate decreased by 1.6 p. p. to 6.6%. Wages and employment in the corporate sector increased by 5.9% and 4.5%, respectively. The improvement of wealth is also proved by reduced needs of households for consumer loans.

**The income of enterprises rose**, despite of the increase in labour costs. Among enterprises employing more than 9 persons, revenues from overall activity grew nominally by 7.8% and the financial result improved by almost 12%. Profitability also rose. Revenues from export sales grew much faster than total revenues (by 10.4%). The number of persons employed and average employment increased. After the earlier stagnation, in 2017 enterprises increased the scale of investment projects (by 4.6%).

### ***Financial and economic data of the enterprise sector by number of persons employed***

	2010	2011	2012	2013	2014	2015	2016	2017
<i>Revenues from operating income (PLN billion)</i>								
more than 9 person employed	2,451.6	2,791.3	2,898.80	2,916.60	2,995.70	3,088.0	3,194.1	3,441.8
10-49	388.6	457.3	474.5	483.8	509.5	523.5	532.2	534.8
50-249	652.3	731.2	747.6	747.3	750.9	775.0	786.9	843.3
more than 249	1,410.7	1,602.7	1,676.7	1,685.5	1,735.3	1,789.4	1,875.0	2,063.7
<i>gross financial result (PLN billion)</i>								
more than 9 person employed	131.8	141.0	128.9	134.1	136.3	142.6	163.9	183.1
10-49	21.7	11.4	24.9	21.1	23.6	26.5	27.5	28.6
50-249	27.1	27.6	26.6	30.4	34.2	38.4	39.0	39.2
above 249	83.0	102.0	77.3	82.6	78.6	77.8	97.4	115.3
<i>Value of investment expenditure and expenses for the purchase of second-hand fixed assets (PLN billion)</i>								
more than 9 person employed	113.9	127.5	124.7	129.1	146.1	164.2	145.6	152.3
0-49	15.3	17.1	15.3	14.6	15.9	17.5	15.3	15.5
50-249	25.3	28.7	27.1	30.0	31.2	34.7	31.0	32.9
more than 249	73.3	81.7	82.3	84.6	99.0	111.9	99.2	103.9
<i>number of persons employed</i>								
more than 9 person employed	4,916 471	4,938,733	4,915,414	4,952,889	5,082,495	5,191,272	5,359,026	5,491,390
10-49	747,761	775,680	779,367	780,683	811,971	819,817	828,825	792,460
50-249	1,503 426	1,480,406	1,468,112	1,456,350	1,447,572	1,468,717	1,494,899	1,527,725
more than 249	2,665 284	2,682 647	2,667 935	2,715 856	2,822 952	2,902,738	3,035,302	3,171,205

*Source: the Ministry of Entrepreneurship and Technology on the basis of CSO F-01.*



As far as the size of enterprises is concerned, the economy structure has remained unchanged for years. Among about 2 million active non-financial enterprises, micro-entities definitely dominate (96.2%), the share of small and medium-sized entities is 2.8% and 0.8% respectively, whereas large enterprises account for 0.2% of the total. Due to the fact that not only the rise of revenue or employment reflects the development of enterprises, but also, inter alia, transformation of sole proprietors into more advanced organisational forms, **the increase in the number of registered companies** (by 4.6%), including in particular commercial companies (by 7.2%) was a positive phenomenon.

**The Polish economy manufactures the increasing share of its value in more modern industries which develop faster than “traditional” sectors.** This change is slow, but consequent. Manufacturing and trade which together generated about 39% of value added remain two largest sectors. In the period 2010-2017 value added increased the fastest in information and communication, business services, finance and insurance activities, manufacturing and transportation, logistics and storage. Thanks to the higher growth since 2010 (44.4%), manufacturing industry is currently dominant over trade (growth: 15.6%) and it accounts for 21% of the total value added.

The Polish economy **has increasingly stronger commercial ties with other countries.** 2017 was a record year in terms of the level of foreign trade - exports reached EUR 206.6 billion, i.e. the level of 11.8% higher year-on-year and imports amounted to EUR 206.1 billion, which means an increase by 13.9%. The results of the Polish trade in 2017 reflected definite signs of recovery of global economy, acceleration of global turnovers and demand as well as general improved moods. As far as the higher increase in imports is concerned, it resulted, inter alia, from the strong consumer demand, the rise of crude oil prices and strong zloty. The trade surplus was recorded the third year in a row, but due to the import advance its contribution in the economic growth in 2017 was smaller than in the previous year.

**The number of innovative enterprises and R&D expenditure is rising.** In the years 2014-2016 in the industry the share of such enterprises amounted to 18.7% (an increase by 1 p. p.), while in services by 13.6% (an increase by 3.8 p.p.). In 2016 the enterprise sector invested in R&D the amount nominally four times higher compared to 2010 and its share in total R&D expenditure was 65.7% (26.6% in 2010). However, in Poland the share of the total R&D expenditure is lower than the EU average (1% vs. 2.03%). Furthermore, Poland ranks poorly in international innovation rankings. It maintained 25th position in the *European Innovation Scoreboard 2018* and remained in the group of the so-called moderate innovators. Among our weaknesses low innovation activity of small enterprises as well as scientific research system were indicated, among other things. The strengths included favourable environment consisting of the access to the broadband Internet and entrepreneurship.

**The key challenges of enterprises in 2017 concerned, to a large extent, phenomena on which the government may have a very slight impact.** According to the studies conducted by the European Commission and the European Central Bank, the availability of qualified staff (23% of indications) or winning and retaining customers (18.5% of indications) are currently the main problem for the majority of Polish enterprises. In comparison to European companies, Polish entrepreneurs more often pointed to regulations (about 15%) which directionally confirms the relevance of numerous actions taken by the government in the improvement of the regulatory framework, among which special attention is brought to the largest reform of commercial law since 1989. It consists of two packages: “100 changes for enterprises” and the “Constitution for business”. The package “100 changes” aims at abolishing the most burdensome regulations which are barriers to conducting business. It is estimated that it creates cost saving opportunities for entrepreneurs of around PLN 230 million per year.

## STRATEGIC CONTEXT

The Strategy for Responsible Development (SRD) adopted by the government in February 2017 is a key document presenting frames for medium- and long-term economic policy of the country. The main objective of the SRD is to create conditions for increasing incomes of the Polish citizens along with increasing cohesion in the social, economic, environmental and territorial dimension. The main planned outcome of the Strategy would be to increase the average income of households, while reducing the disparities in this regard between particular regions.

The Strategy is implemented as part of three specific objectives with attributed specific areas of intervention:

*Specific objective I - Sustainable economic growth increasingly driven by knowledge, data and organizational excellence*

1. Reindustrialisation with the fullest possible use of Polish resources.
2. Development of innovative companies.
3. Small and medium-sized enterprises, i.e. developing the economic potential of Polish companies so that they could be increasingly larger, thanks to measures regarding, inter alia, legal business environment.
4. Capital for development by mobilising funds, including the private sector, in order to significantly increase the investment level in Poland.
5. Foreign expansion of Polish enterprises resulting from multiplication of domestic capital by increasing the economies of scale, strengthening the position on the current markets and entering new, in particular fast developing, markets.

*Specific objective II - Socially sensitive and territorially sustainable development*

1. Social cohesion as a precognition for the economy characterised by high employment rate, good quality jobs and large scale of entrepreneurship.
2. Territorially sustainable development - benefits from economic development of the country should be available to all citizens, regardless of their place of residence.

*Specific objective III - Efficient state and economic institutions supporting growth as well as social and economic inclusion*

1. Law at the service of citizens and the economy - improvement of the quality of enacted law, including the reduction of regulatory burden in order to provide better conditions for pursuing economic activity in Poland and to fulfil the needs of individual groups of citizens.
2. Institutions promoting development and strategic management of development - providing institutions that enhance the coordination of the most important economic and social processes.
3. E-government - the use opportunities provided by available digital technologies in the economy. Digitalisation of services for citizens and entrepreneurs, also within the administration bodies.
4. Public finance - accomplishment of the strategic objective of the state policy, which is creating conditions for the growth of income of Poles with a simultaneous increase in social, economic, environmental and territorial cohesion, requires stable, effective and sustainable public finance.
5. Efficient use of the EU funds - reorientation of the method of using the European funds in terms of the scope, coordination and forms of support in order to provide co-financing for projects in the areas of intervention that are crucial for defined development objectives, projects characterised by high value added and durable effects.

“Small and medium-sized enterprises” are the key SRD area for the development of entrepreneurship. State intervention targeted at SMEs focuses on growth entrepreneurship. The aim is to increase the economic potential of enterprises to achieve a higher share of medium-sized and large companies in

the population of business operators. One of the proposed lines of action in this area is to improve the legal environment for conducting business. This will be particularly beneficial for the smallest operators which do not have sufficient resources to promptly react to new legal and administrative requirements. Adoption of a more partnership approach to external stakeholders by public administration in Poland is also advocated. The identified needs include, inter alia, reduction of the repressive nature of the entrepreneur control system. Broader use of ICT technologies will also contribute to the improvement of communication between administration and entrepreneurs.

The identified gap in the satisfaction of the needs of entities from the SME sector (with respect to capital and debt financing) points to the necessary measures to ensure that the SME sector can acquire funds to finance and create the conditions for development. At the same time, due to limited resources, the support must be more selective (targeted at measures promoting development) and the instruments must be better adjusted to the needs of entrepreneurs (depending on scale and type of operations or a stage of enterprise life cycle). The Polish Development Fund (PDF) Group will play an important role in achieving the above-mentioned objectives.

Increasing the innovativeness of the Polish enterprises on the domestic and foreign markets is necessary to create new competitive advantages. Under the selective approach, the support will focus on selected areas and technologies. Measures supporting innovative development of enterprises correspond to smart reindustrialisation consisting in the implementation of new digital technical, technological and organisational solutions as well as in the development of new industries based on digital technologies, capable of creating cutting-edge products. Such measures will trigger the development of many other areas of the economy. At the same time, this would offer opportunities of development for traditional sectors which could move up the value chain by implementing the most advanced production and management technologies.

Apart from measures stimulating innovation and mobilising capital for development, growth entrepreneurship also includes foreign expansion. The focus on industries accounting for key export position of the country and on sectors that may be decisive for Poland's global competitive position in the future will be an important part of the export policy. Measures under an integrated and cohesive economy promotion system supporting Polish exports and investments will improve the recognition of Polish products and services abroad and enhance Poland's image as a desired partner for business cooperation. They will also open new directions of expansion for Polish companies.

Furthermore, the perspective of measures for sustainable and responsible economic development was formulated in the Strategy for Responsible Development. The global political frames for these measures are determined by UN Resolution "2030 Agenda for sustainable development" adopted on 25 September 2015 by member states of the United Nations. It covers 17 Sustainable Development Goals (SDGs) and 169 tasks related to them reflected by three dimensions of sustainable development - economic, social and environmental. The adequacy of defined problems to the situation in particular states is the most important task in the overall implementation of Agenda 2030. Thus, the implementation of 2030 Agenda requires adjusting global goals to the reality of every country and setting national developmental priorities.

Polish social and economic strategy is in line with the "Europe 2020" strategy, adopted by the European Council on 17 June 2010. For eight years, it has been the primary instrument for coordination of economic policy in the European Union. The so-called *National Reform Programme* remains the basic instrument for the implementation of the strategy at the level of Member States. The National Reform Programme for the implementation of the Europe 2020 strategy (NRP) was adopted by the Council of

Ministers on 26 April 2011. It assumes a correlation of Polish development goals with the priorities specified in the “Europe 2020” strategy, i.e.:

1. development of knowledge and innovation-based economy (smart growth);
2. promotion of a sustainable economy with a smaller environmental footprint and greater resource efficiency, which remains highly competitive (sustainable growth);
3. strengthening of an economically, socially and territorially cohesive economy characterised by a high employment rate (inclusive growth).

In accordance with the rhythm of the European Semester, on 23 April 2018 the Council of Ministers adopted a document entitled *The National Reform Programme for the implementation of the Europe 2020 strategy. Update 2018/2019 (NRP 2018/2019)*. It is the seventh annual update of the NRP adopted in 2011. Given the current macroeconomic situation, economic forecasts and priorities of the government defined in the Strategy for Responsible Development, as well as the recommendations of the Council of the EU for Poland of 11 July 2017 and the assessments included in the Country Report - Poland 2018 published by the European Commission on 7 March 2018, NRP 2018/2019 identifies the most important measures that translate into fulfilment of the national “Europe 2020” strategy objectives with respect to employment, innovation, energy, education and counteracting poverty.

# 1. MACROECONOMIC CONDITIONS IN 2017

## 1.1 Global macroeconomic conditions in 2017

The global economic, social and political situation in 2017 was marked by fluctuations, which resulted in the verification of macroeconomic forecasts by various analytical centres. The reported results turned out to be better than the original objectives. The world economy grew at the rate of 3.8%, i.e. about 0.6 p. p. faster than in 2016. The improvement of the economic situation on foreign markets should be attributed to the stable economic activity in developed countries. The improved level of economic activity concerned also the majority of the EU countries, as a result of which both the EU and the Euro area developed faster (growth by 2.5% and 2.4%, respectively).

According to the data of the World Trade Organisation (WTO), in 2017 the growth of the global merchandise trade volume accelerated. Factors which caused the achievement of the fastest world trade growth since 2011 were cyclical. Increase in investment and consumption expenditure as well as the growing demand for good imported mainly from Asia allowed for the achievement of the world merchandise trade growth at the level of 4.7%, while in 2016 it was only 1.8%. The greatest leap was observed in imports of developing economies where the increase in trade accelerated to 7.2% in 2017 from 1.9% in the previous year. The demand for imports also increased in the developed countries.

The year 2017 was marked by a high economic activity on a global scale, indicating the room for reduction of fiscal burdens related to support for demand. Positive expectations regarding the development of global economic situation in the forthcoming years seem to create favourable conditions for activities targeted at the improvement of fiscal accounts, both in terms of budget deficits and, broader, public debt. As a result, the world ratio of public debt to global product improved on an annual basis and decreased from 83.1% in 2016 to 82.4% in 2017.

External environment contributed to the improvement of the economic situation in the country. After a significant slowdown observed in the period 2012-2013 economic growth accelerated in further years and in 2017 it amounted to 4.6%. It has been the highest annual rate of Poland's economic growth since 2007.

### 1.1.1 General situation of the global economy

The improvement of economic situation on foreign markets is the result of both stable economic activity in developed countries and the recovery in emerging economies, partly due to the increase in raw material prices. The most important factors that determined the acceleration of global economic growth and *in plus* corrections of its projections include, inter alia:

- a significant acceleration of the volume of global trade (in goods and services) - according to the IMF data from 2.5% in 2016 to 4.7% in 2017;
- the acceleration of public and private investments, mainly in developed countries;
- increase in the productivity of economies;
- strengthening optimism among business and consumers and
- the rise in crude oil prices<sup>1</sup> - according to the IMF data by over 23% to USD 52.8 per barrel.

---

<sup>1</sup> Average price U.K Brent, Dubai Fateh and West Texas Intermediate crude oil.

**Table 1. Projected GDP growth in the world and in selected countries for 2017 (presented in subsequent IMF outlooks, %)**

	January 2017	April 2017	July 2017	October 2017	January 2018	Change January 2018 vs. January 2017 (pp)
<b>World</b>	3.4	3.5	3.5	3.6	3.7	+0.3
<b>developed countries</b>	1.9	2.0	2.0	2.2	2.3	+0.4
United States	2.3	2.3	2.1	2.2	2.3	0.0
Euro area	1.6	1.7	1.9	2.1	2.4	+0.8
Germany	1.5	1.6	1.8	2.0	2.5	+1.0
France	1.3	1.4	1.5	1.6	1.8	+0.5
Italy	0.7	0.8	1.3	1.5	1.6	+0.9
Spain	2.3	2.6	3.1	3.1	3.1	+0.8
Japan	0.8	1.2	1.3	1.5	1.8	+1.0
Great Britain	1.5	2.0	1.7	1.7	1.7	+0.2
Canada	1.9	1.9	2.5	3.0	3.0	+1.1
<b>developing countries</b>	4.5	4.5	4.6	4.6	4.7	+0.2
CIS	1.5	1.7	1.7	2.1	2.2	+0.7
Russia	1.1	1.4	1.4	1.8	1.8	+0.6
developing countries of Asia	6.4	6.4	6.5	6.5	6.5	+0.1
China	6.5	6.6	6.7	6.8	6.8	+0.3
India	7.2	7.2	7.2	6.7	6.7	-0.5
<b>volume of global trade (in goods and services)</b>	3.8	3.8	4.0	4.2	4.7	+0.9

Source: EAD of the Ministry of Entrepreneurship and Technology<sup>2</sup> on the basis of the IMF data.

### 1.1.2 Global merchandise trade

According to the data of the World Trade Organisation (WTO), in 2017 the growth rate of global trade volume accelerated to 4.7% (from 1.8% in 2016). The main cyclical factors, in particular increasing investment and consumption expenditure as well as the growing demand for goods imported mainly from Asia, contributed to the increase in global trade (the fastest one since 2011). Generally, in 2017 the increase in global volume of merchandise trade concerned all regions.

**Table 2. Changes in global volume of merchandise trade in the years 2015-2017 (%)**

	Exports			Imports		
	2015	2016	2017	2015	2016	2017
<b>Developed countries</b>	2.3	1.1	3.5	4.3	2.0	3.1
<b>Developing countries</b>	2.4	2.3	5.7	0.6	1.9	7.2
North America	0.8	0.6	4.2	5.4	0.1	4.0
South and Central America	1.8	1.9	2.9	-6.4	-6.8	4.0
Europe	2.9	1.1	3.5	3.7	3.1	2.5
Asia	1.5	2.3	6.7	4.0	3.5	9.6
Other regions*	5.5	2.6	2.3	-5.6	0.2	0.9

Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the WTO data for April 2018;

\*Africa, Middle East, CIS

A nominal effective exchange rate of the dollar against the broad currency basket did not change in 2017, while the prices of energy, food, raw materials and metals rose by 7-24%. This is why in terms of dollar the value of global exports of goods increased by 10.6% to USD 17.3 trillion and the value of

<sup>2</sup>Department of Economic Analyses of the Ministry of Entrepreneurship and Technology

imports by 10.7% to over USD 18 trillion. Regions exporting natural resources, such as Africa and Middle East recorded stronger growth of exports than imports, whereas industrialised regions (North America, Europe and Asia) were characterised by a strong increase in imports. In the ranking of the world's largest exporters and importers a lot of significant changes took place. South Korea moved up from 8th to 6th position in terms of exports, while the United Arab Emirates advanced from 19th to 15th position, which reflected the result of higher crude oil prices. China remained the largest exporter and the United States the largest importer. Poland was ranked at 22nd position both on the list of the world's largest exporters (similarly like in the previous year) and on the list of the world's largest importers (a decrease of one position compared to the previous year).

**Table 3. World's largest exporters and importers of goods in 2017**

No.	Exporters	Value	Share	Change y/y	No.	Importers	Value	Share	Change y/y
		USD billion	%				USD billion	%	
1	China	2,263	12.8	7.9	1	United States	2,409	13.4	7.1
2	United States	1,547	8.7	6.6	2	China	1,842	10.2	16.0
3	Germany	1,448	8.2	8.5	3	Germany	1,167	6.5	10.5
4	Japan	698	3.9	8.3	4	Japan	672	3.7	10.6
5	The Netherlands	652	3.7	14.1	5	Great Britain	644	3.6	1.2
6	South Korea	574	3.2	15.8	6	France	625	3.5	9.2
7	Hong Kong	550	3.1	6.5	7	Hong Kong	590	3.3	7.8
8	France	535	3.0	6.7	8	The Netherlands	574	3.2	13.7
9	Italy	506	2.9	9.6	9	South Korea	478	2.7	17.8
10	Great Britain	445	2.5	8.6	10	Italy	453	2.5	11.2
11	Belgium	430	2.4	7.9	11	India	447	2.5	23.8
12	Canada	421	2.4	7.8	12	Canada	442	2.5	7.0
13	Mexico	409	2.3	9.5	13	Mexico	432	2.4	8.7
14	Singapore	373	2.1	10.4	14	Belgium	403	2.2	8.2
15	United Arab Emirates	360	2.0	20.4	15	Spain	351	1.9	12.7
16	Russia	353	2.0	25.3	16	Singapore	328	1.8	12.3
17	Spain	321	1.8	10.5	17	Switzerland	269	1.5	-0.5
18	Taiwan	317	1.8	13.2	18	United Arab Emirates	268	1.5	-1.1
19	Switzerland	300	1.7	-1.1	19	Taiwan	259	1.4	12.5
20	India	298	1.7	13.0	20	Russia	238	1.3	24.1
21	Thailand	237	1.3	9.9	21	Turkey	234	1.3	17.7
22	Poland	231	1.3	14.0	22	Poland	230	1.3	16.8
23	Australia	231	1.3	19.9	23	Australia	229	1.3	16.6
24	Saudi Arabia	218	1.2	18.8	24	Thailand	223	1.2	14.7
25	Malaysia	218	1.2	14.9	25	Vietnam	212	1.2	21.0
26	Brazil	218	1.2	17.5	26	Malaysia	195	1.1	15.9
27	Vietnam	214	1.2	21.4	27	Austria	176	1.0	11.5
28	The Czech Republic	180	1.0	10.7	28	The Czech Republic	162	0.9	13.2
29	Indonesia	169	1.0	16.5	29	Brazil	157	0.9	9.7
30	Austria	168	0.9	10.5	30	Indonesia	157	0.9	15.7
	Total	14,884	83.9	-		Total	14,866	82.5	-
	World*	17.730	100.0	10.6		World*	18.024	100.0	10.7

Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the WTO data for April 2018.

According to the data of Euler Hermes<sup>3</sup>, in 2017 467 new protectionist measures were implemented in the whole world in comparison with 827 from the previous year. Among main entities which contributed to creating new barriers, the United States, as the only one, introduced more such measures than in 2016 (90 new measures were implemented, which constituted one-fifth of the entire activity in this respect in the world). Although the pace of introducing new barriers was slower compared to 2016, the entire envelope of active measures was still rising.

### 1.1.3 Prospects for the development of global trade in 2018

Economists of many international analytical centres believe that in 2018 the growth rate of global trade will still remain at high, although slightly lower level than in 2017. The global turnover is influenced by, inter alia: still good economic situation in the global economy, relatively high demand, in particular among developed markets as well as good sentiment in many economies. In 2018 global trade should benefit from stimulating the activity of countries exporting raw materials, as a result of a further increase in crude oil prices (some experts claim that Saudi Arabia may again push the price up to about USD 100). On the other hand, factors which may decrease trade dynamics in 2018 include: the high reference base, lower pace of both the integration as part of global value chains and trade liberalisation as well as growing protectionism. Further development of affairs between USA-China and USA-the rest of the world developments will be a significant threat for the development of global trade in 2018. There is a high risk that D.Trump's activities will be extended to other countries, including EU (particularly it may concern the EU cars). The possible escalation of the conflict will negatively translate into global economic situation, including global turnover.

Analysts of the World Trade Organisation assume that in 2018 global trade in goods (in volume terms) will increase by 4.4%<sup>4</sup> in relation to 4.7% from the previous year. Such deceleration is expected to take place, despite of the global PKB acceleration envisaged in 2018. Although Asia is still to be the region in which merchandise turnover will rise the fastest, at the same time the largest deceleration of turnover will be recorded on an annual basis in this region. In real terms exports of this group of countries is expected to increase by 5.7% and imports by 5.9% in relation to increases at the level of 6.7% and 9.6% from the previous year. On the other hand WTO experts foresee the acceleration of turnovers of European and North American countries, including significantly faster ones in terms of imports (by 1 p. p. to 3.5% and by 1.7 p. p. to 5.7%, respectively).

**Table 4. Changes in merchandise trade and GDP in the years 2016-2019 (y/y) in %**

	2016	2017	2018*	2019*
<b>Merchandise trade volume</b>				
<b>World (average exports and imports)</b>	<b>1.8</b>	<b>4.7</b>	<b>4.4</b>	<b>4.0</b>
<b>Exports</b>				
Economically developed countries	1.1	3.5	3.8	3.1
Economically developing countries	2.3	5.7	5.4	5.1
<b>Imports</b>				
Economically developed countries	2.0	3.1	4.1	3.3
Economically developing countries	1.9	7.2	4.8	4.4
<b>Real GDP</b>				
<b>World</b>	<b>2.3</b>	<b>3.0</b>	<b>3.2</b>	<b>3.1</b>
Economically developed countries	1.6	2.3	2.4	2.2
Economically developing countries	3.6	4.3	4.6	4.6

Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the WTO data for April 2018 ;  
\*forecast.

<sup>3</sup>The economic report *Protectionism - reloading the gun in trade wars*, Euler Hermes, March 2018.

<sup>4</sup>The estimates from April 2018.



Analysts of the World Bank expect the scale of global trade increases similar to the WTO estimates, but their forecasts include the total trade in goods and services. They assume that if the last year's growth rates of the global GDP are maintained (at the level of 3.1%), trade will increase by 4.3%<sup>5</sup>, i.e. 0.5 p. p. slower than in the previous year.

Analysts of the International Monetary Fund estimate that in 2018 the volume of global trade (in goods and services) will increase by 4.8%<sup>6</sup>, i.e. 0.3 p. p. slower than in the previous year. Deceleration of the exchange between less developed countries and developing countries (by 1 p. p., to 5.7%) is expected to decide about less favourable results.

#### **1.1.4 Global public finance**

The year 2017 was marked by a high economic activity on a global scale, indicating the room for reduction of fiscal burdens related to support for demand. Positive expectations regarding the development of global economic situation in the forthcoming years seem to create favourable conditions for activities targeted at the improvement of fiscal accounts, both in terms of budget deficits and, broader, public debt.

As a result, the world ratio of public debt to global product improved on an annual basis and decreased from 83.1% in 2016 to 82.4% in 2017. The outcome is a result of improvement of fiscal indicators in Euro area economies, in which the debt-to-GDP ratio dropped by 4.7 p. p. in the period 2013-2017. On the other hand, the continuation of negative trends is observed in this area in the US economy which, in the forecast period, is likely to exceed the threshold of public debt at the level of 110% GDP. According to the IMF data, over 1/3 of developed economies exceeded the threshold of the debt-to-GDP ratio at the level of 85%, i.e. three times more than in 2000.

From the point of view of fiscal balance, it is essential that the period of a relatively high economic activity on a global basis is used for activities targeted at creating counter-cyclical safety buffers in the form of a consolidation of public finance. This activity aims at preparing finance of states for economic bad times, providing fiscal support in the event of the economic slow-down.

---

<sup>5</sup>The estimates from June 2018.

<sup>6</sup>The estimates from July 2018.

**Table 5. Government debt in the years 2012-2021 in relation to PKB**

	% GDP									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>World</b>	<b>79.8</b>	<b>78.5</b>	<b>78.8</b>	<b>80.0</b>	<b>83.1</b>	<b>82.4</b>	<b>82.1</b>	<b>81.9</b>	<b>81.6</b>	<b>81.3</b>
<b>Developed economies</b>	<b>106.7</b>	<b>105.4</b>	<b>104.8</b>	<b>104.4</b>	<b>106.9</b>	<b>105.4</b>	<b>103.9</b>	<b>103.1</b>	<b>102.4</b>	<b>101.7</b>
USA	103.5	105.4	105.1	105.3	107.2	107.8	108.0	109.4	111.3	113.1
Euro area	89.4	91.3	91.8	89.9	88.9	86.6	84.2	81.7	79.3	76.8
Germany	79.8	77.4	74.7	71.0	68.2	64.1	59.8	55.7	52.2	48.7
France	90.7	93.5	95.0	95.8	96.6	97.0	96.3	96.2	95.1	93.6
Italy	123.4	129.0	131.8	131.5	132.0	131.5	129.7	127.5	124.9	122.1
Spain	85.7	95.5	100.4	99.4	99.0	98.4	96.7	95.1	93.9	92.8
Japan	229.0	232.5	236.1	231.3	235.6	236.4	236.0	234.2	232.3	231.4
Great Britain	84.5	85.6	87.4	88.2	88.2	87.0	86.3	85.9	85.2	84.5
Canada	84.8	85.8	85.0	90.5	91.1	89.7	86.6	83.8	81.2	78.7
<b>Developing economies*</b>	<b>37.4</b>	<b>38.6</b>	<b>40.7</b>	<b>44.0</b>	<b>47.0</b>	<b>49.0</b>	<b>51.2</b>	<b>52.9</b>	<b>54.3</b>	<b>55.6</b>
Asia	39.8	41.5	43.6	44.8	47.2	50.1	52.3	54.5	56.6	58.5
China	34.3	37.0	39.9	41.1	44.3	47.8	51.2	54.4	57.6	60.5
India	69.1	68.5	67.8	69.6	68.9	70.2	68.9	67.3	65.8	64.3
Europe	25.5	26.4	28.5	30.9	32.1	31.8	32.1	32.5	32.6	32.5
Russia	11.5	12.7	15.6	15.9	15.7	17.4	18.7	19.5	19.9	20.0
Latin America	48.7	49.3	51.4	55.5	59.0	61.8	66.4	67.4	67.9	68.3
Brazil	62.2	60.2	62.3	72.6	78.4	84.0	87.3	90.2	92.7	94.6
Mexico	42.7	45.9	48.9	52.9	56.8	54.2	53.5	53.4	53.4	53.3

Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the IMF data, forecast 2018-2021; \*includes also middle income economies

## 1.2 Macroeconomic situation in Poland in 2017

In 2017 economic growth accelerated to 4.6%. It has been the highest annual rate of Poland's economic growth since 2007. The improved level of economic activity concerned also the majority of the EU countries, as a result of which both the EU and the Euro area developed faster (a growth by 2.5% and 2.4%, respectively). In comparison to 28 economies of the Community, Poland's real GDP growth in 2017 was one of the highest and among 10 largest EU economies Poland's economic growth was definitely the highest (the Netherlands 3.2%, Spain 3.1%).

In 2017 domestic demand was the main source of Poland's GDP growth. This was allowed by very good results of consumption. The stable private consumption growth (an increase in 2017 by 4.8% y/y) was accompanied by gradual acceleration of public consumption dynamics (increase by 3.4% y/y). Furthermore, investments have a positive impact on demand growth, the value of which increased in real terms by 3.4% y/y in 2017. Despite of the high 8.2% exports growth ratio, in 2017 the contribution of foreign demand in Poland's economic growth was lower on an annual basis and amounted to 0.1 p. p. in relation to 0.8 p. p. in 2016. It resulted from a strong imports growth (an increase by 8.7% compared to 7.6% in 2016).

Both the effect of a low statistical base (the decline in investment by 8.2% y/y in 2016) and a dynamic increase in the level of activity across the whole economy allowed for a noticeable acceleration of investment, but only in the second half of year. As a result, in the whole 2017 investments in economy increased in real terms by 3.4% y/y. The enterprise sector positively stood out in the economic

environment developing in this way. After a deep 13.2% decline of investment expenditure in 2016, in 2017 enterprises recorded the increase in gross fixed capital formation at the level of 3.4%.

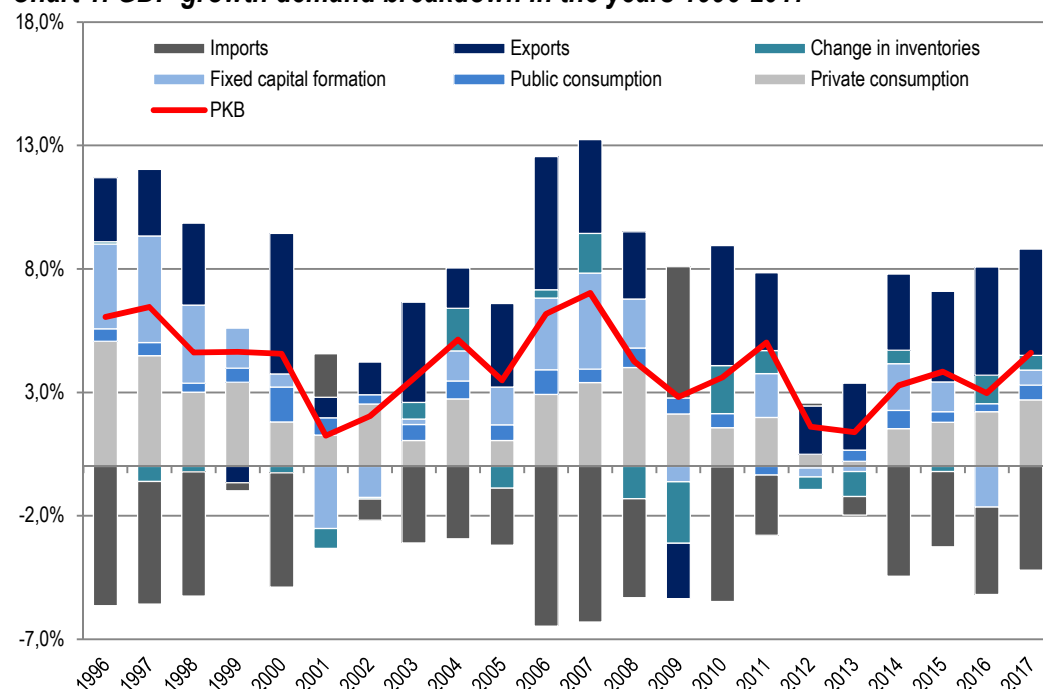
In 2016 the value of capital invested in the form of FDI<sup>7</sup> in Poland amounted to EUR 12.6 billion compared to EUR 13.8 billion in 2015. The most capital was invested in Poland by entities from the European Union countries (EUR 11.6 billion). The largest investors in Poland included companies from: the Netherlands (EUR 4.6 billion), Germany (EUR 3.1 billion) and Luxembourg (EUR 2.0 billion).

In 2017 Polish foreign merchandise trade reached exceptionally high value (almost EUR 413 billion) which resulted from their dynamic, two-digit growth. Exports amounted to EUR 206.6 billion, i.e. increased by 11.8% and imports were about EUR 206.1 billion, i.e. the level higher by 13.9% than in the previous year. The last year's growth rate of both trade flows has been the fastest since 2011.

### 1.2.1 Economic growth and its drivers

In respective quarters of 2017 Poland's economic growth on an annual basis was above 4%, accelerating in the third quarter to 5.2%, which has been the best result since 2011.

**Chart 1. GDP growth demand breakdown in the years 1996-2017**



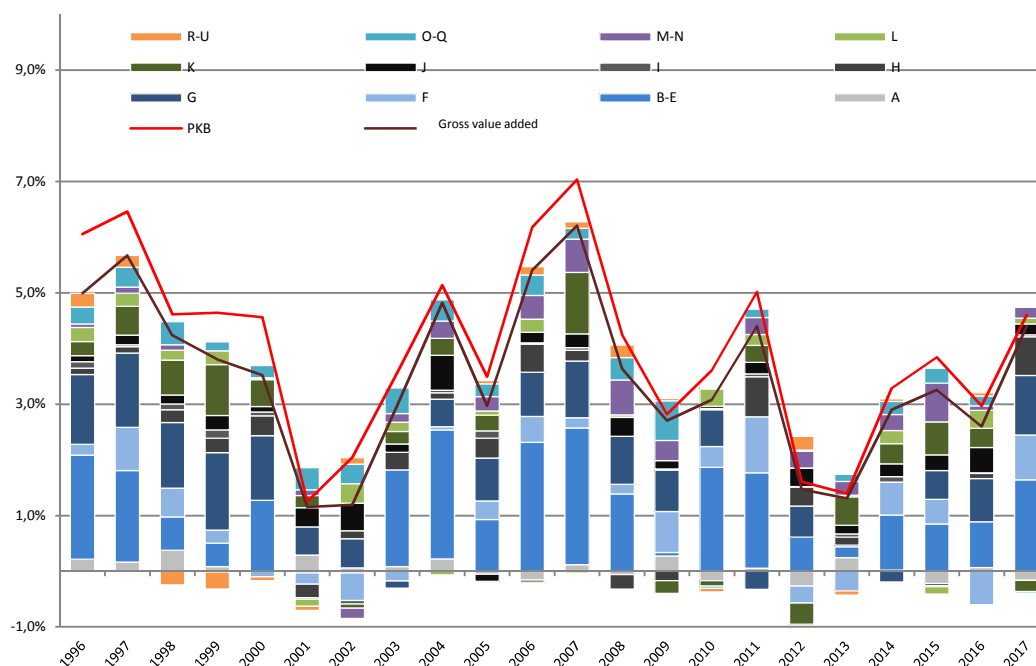
Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the CSO data.

The key drivers of consumer demand in respective quarters of 2017 were the gradual improvement on the labour market (growing employment and decreasing unemployment) as well as the fast real wage growth. As a result of the steadily rising employment and wages, consumption was less driven by borrowing and household liabilities were growing slower than in previous years. Furthermore, the

<sup>7</sup>NBP on the basis of the data included in the annual report. All data in this report is presented in EUR, which required exchange rate conversions. For the transaction data, values were converted at the annual average rate, while for liabilities, at the rate as of 31 December of a given year.

increased social benefits transfer which strengthened the income of households was an additional, consumption-oriented driver.

**Chart 2. Sectoral breakdown in the years 1996-2017<sup>8</sup>**



Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the CSO data

## 1.2.2 Investments

In 2017 investments in economy increased in real terms by 3.4% y/y. After the decline of the share of the gross public sector expenditure in GDP in the years 2014-2016, in 2017 a significant increase in the value of this indicator was recorded. Its main source was a dynamic, almost the 22% increase in the nominal value of public sector property expenditure. The dynamics of self-government investment expenditure translated into this result to greatest extent, as they rose in 2017 by over 30% on a yearly basis. It is assessed that it resulted from both the low statistical base of 2016 and the gradual intensification of expenditure as part of EU funds.

Furthermore, corporate sector contributed to the investments growth. After a deep 13.2% decline of investment expenditure in 2016, in 2017 enterprises<sup>9</sup> recorded the increase in gross fixed capital formation at the level of 3.4%. Throughout a year, from quarter to quarter, the gradual acceleration of dynamics of the sector's property expenditure was observed.

<sup>8</sup>Letters in the key refer to the following sectors (sections of the Polish Classification of Activities): A Agriculture; B-E Industry; F Construction; G Trade; repair of motor vehicles; H Transportation and storage; I Accommodation and food service activities; J Information and communication; K Financial and insurance activities; L Real estate activities; M-N Professional, scientific and technical activities; Administrative and support service activities; O-Q Public administration and defence; Compulsory social security; Education; Health care and social work activities; R-U Arts, entertainment and other services; others.

<sup>9</sup>The data concerns economic entities keeping accounts, in which the number of persons employed amounts to 50 and more persons. The data does not include agriculture, forestry, hunting and fishery, financial and insurance activity.

**Table 6. Public sector gross investment as a percent of GDP**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Poland</b>	4.5%	4.8%	5.0%	5.6%	5.9%	4.7%	4.1%	4.5%	4.4%	3.3%	3.7%
<b>EU-28</b>	2.7%	2.9%	3.0%	2.9%	2.8%	2.7%	2.6%	2.7%	2.8%	2.6%	2.7%

Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the AMECO data.

In 2016 the value of capital invested in the form of FDI<sup>10</sup> in Poland amounted to EUR 12.6 billion compared to EUR 13.8 billion in 2015. The most capital was invested in Poland by entities from the European Union countries (EUR 11.6 billion). The largest investors in Poland included companies from: the Netherlands (EUR 4.6 billion), Germany (EUR 3.1 billion) and Luxembourg (EUR 2.0 billion).

### 1.2.3 Foreign trade

In 2017 Polish foreign merchandise trade reached exceptionally high value (almost EUR 413 billion) which resulted from their dynamic, two-digit growth. Exports amounted to EUR 206.6 billion, i.e. increased by 11.8% and imports were about EUR 206.1 billion, i.e. the level higher by 13.9% than in the previous year. The last year's growth rate of both trade flows has been the fastest since 2011. Higher imports growth resulted from a few factors, including, inter alia: continued strong consumer demand, upsurge in investment activity, increase in crude oil prices and appreciation of the zloty. It is the third year where the surplus, which in 2017 amounted to EUR 560 million, was recorded.

In 2017 merchandise trade in PLN increased lower than that in EUR (exports by 9.9%, imports by 11.9%). This was the result of depreciation of EUR against PLN by 2.4%. The increase of the exchange expressed in USD, i.e. exports by 12.9% and imports by 15.1% was the fastest (taking into consideration the most important currencies in our settlements). It resulted from weakening the dollar against the zloty by 4.2%.

**Table 7. Poland's merchandise trade in total in 2017**

	Value			Dynamics (y/y)	
	Exports	Imports	Balance	Exports	Imports
EUR million	206,647	206,084	563	111.8	113.9
USD million	231,591	231,035	556	112.9	115.1
PLN million	882,620	880,078	2,541	109.9	111.9

Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the CSO data.

The results of the Polish merchandise trade reflected definite signs of recovery of global economy, acceleration of global turnover and demand as well as generally improved moods.

The list of 5 most important export markets in 2017 includes: Germany - 27.5% of the share, the Czech Republic - 6.4% (a promotion of one position compared to 2016), Great Britain - 6.4% (a drop by one position), France - 5.6% and Italy - 4.9%. The list of the most important providers of goods for Poland presented the same as in 2016, i.e.: Germany - about 23% of the share, China - about 11.8%, Russia - 6.4%, Italy - 5.3%, France - about 3.9%.

<sup>10</sup>NBP on the basis of the data included in the annual report. All data in this report is presented in EUR, which required exchange rate conversions. For the transaction data, values were converted at the annual average rate, while for liabilities, at the rate as of 31 December of a given year.

Exports to the European Union increased by 12.1% (to EUR 165.4 billion), including to Germany by 12.2%, the Czech Republic by 9.5%, Great Britain by 8.1%, France by 14.8%. The EU share in the total Polish exports amounted exactly 80%, i.e. it slightly increased in comparison to the previous year.

Exports to other economically developed countries (outside EU) rose by about 13.3% (to EUR 13.6 billion), including USA by about 26%, Norway by about 6.3% and Switzerland by 12%. The share of this group of markets in the total Polish exports amounted to 6.6% compared to 6.5% in 2016.

Sales to CIS countries increased by about 19% (to EUR 12.6 billion), including Russia by 18.4%, Ukraine by about 23% and Belarus by about 8.2%. The CIS share in Poland's exports rose by 0.4 p. p. to 6.1%.

Exports to other less developed and emerging markets showed a negative tendency in 2017, as it increased only by 2.5% (about EUR 15.1 billion). The increase of dynamics of exports to particular markets of this group was irregular. Sales was growing fast to such countries as China (by 19%), Serbia (by almost 16%) and Mexico (by about 26%); there was a slow increase on our main export market from this group, Turkey (by about 3.5%) and a decrease was recorded in exports to several important countries, including, inter alia, Saudi Arabia (by about 14%) and United Arab Emirates (by about 17%).

The most important items in the Polish exports in 2017 include: *machines and mechanical and electrical devices as well as their parts and accessories (about 23.9% of the share in the total export)*, *vehicles and their parts and accessories (almost 12%)*, *furniture (5.9%)*, *plastics and articles thereof (4.7%)* as well as *cast iron and steel products (3.2%)*. Technologically advanced products constituted 8.6% of the total Polish exports in 2017.

Poland's foreign trade exchange is of an intra-industry nature. Due to this fact, the structure of imports is similar to that of exports. In 2017 the following were predominant in this respect: *machines and mechanical and electrical devices as well as their parts and accessories (about 24% of the share)*, *vehicles and their parts and accessories (almost 9.7%)*, *mineral fuels (about 7%)*, *plastics and articles thereof (6%)* as well as *cast iron and steel products (4%)*.

#### **1.2.4 Labour market and labour costs**

In 2017 the situation on the labour market significantly improved and showed positive trends. The number of persons employed exceeded 16 million and employment rate determining the share of working population aged 20-64 in the overall population in this age group amounted to 70.9% (the target for Poland to be achieved by 2020 in accordance with the Europe 2020 Strategy is 71%).

**Table 8. Situation in the Polish labour market in the years 2004-2017 in the age group of 20-64 (annual average, %)**

Specification:	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
professional activity rate	70.4	70.9	69.7	69.4	69.9	70.6	71.1	71.3	71.9	72.3	73.0	73.2	73.8	74.5
employment rate	57.0	58.3	60.1	62.7	65.0	64.9	64.3	64.5	64.7	64.9	66.5	67.8	69.3	70.9
unemployment rate by LFS	19.1	17.9	13.9	9.6	7.1	8.1	9.7	9.7	10.1	10.3	9.0	7.5	6.2	4.9
Registered unemployment rate at the end of the year	19.0	17.6	14.8	11.2	9.5	12.1	12.4	12.5	13.4	13.4	11.4	9.7	8.2	6.6

Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the following data: professional activity rate and unemployment rate by LFS - Labour Force Survey - Eurostat; registered unemployment rate - CSO.

*\*It applies to persons aged 18 and over who have not attained their retirement age yet.*

In 2017 the average employment level<sup>11</sup> was 8,766 thous. (an increase by 3.3% compared to 2016). The average employment in the enterprise sector amounted to 6,017 thous., i.e. By 4.5% more than in 2016 (when compared to an increase by 2.8% the year before). Growth was recorded in all sections, except for mining and quarrying as well as electricity, gas, steam, and hot water supply.

In 2017 in Poland there were 815 thous. unemployed in the age group of 20-64. The number of the unemployed decreased by 206 thous. compared to 2016. The level of registered unemployment decreased in all voivodships, however there is still high level of unemployment differentiation by territory.

In comparison to 2016, in 2017 labour costs (expressed in EUR) rose in 26 EU Member States. The highest growth was reported in Romania - by 14.5% and in the Czech Republic - by 11.9%. At the same time, the drop in labour costs was recorded in Great Britain by 4.1% and Finland by 1.5%. In Poland labour costs increased by 9.3% on an annual basis <sup>12</sup>.

Despite the increase in labour costs in 2004-2017, Poland with its payroll cost at the level of EUR 9.4<sup>13</sup> still belongs to the group of countries having one of the lowest payroll costs in the European Union. Labour costs cover payroll costs and non-payroll costs. The latter cost category continues to play a vital role in countries such as France or Sweden (approximately one third of total labour costs). In Poland, this rate stood at 18.1%.

For a long time, the relatively low labour costs prevailing in the cost structure of enterprises have determined the competitiveness of the Polish economy and allowed to attract foreign investment. As the development processes proceeded in Poland and worldwide, Poland became less attractive than Asian countries where investments based on low labour costs began to thrive. Therefore, labour costs were becoming less important as one of the main sources of Poland's competitive position, to the benefit of quality, including human capital quality. At present, it is the education of human resources that is one of the main factors attracting foreign capital to Poland. Modern business service centres offering a large

<sup>11</sup>Excluding business operators with up to 9 person employed, individual farming, foundations, associations, political parties, trade unions, social organisations, employers' organisations, economic and professional self-government and activity related to national defence and public security.

<sup>12</sup>Eurostat data - Labour costs annual data - NACE Rev. 2

<sup>13</sup>Calculated per 1 hour of work of 1 employee.

number of jobs that often require specialist skills play an important role in this respect, making Poland one of the leaders in this field.

In the light of very positive signals of labour market proving the continued high labour demand, most of companies, in particular Polish ones, continue to perceive labour costs as one of key determinants of their activity. The results of studies of economic condition in respective sectors of the economy prepared by the Central Statistical Office indicate, as of December 2017, that labour costs continue to form a significant barrier for 60.1% of construction companies, 54.2% of companies operating in the retail trade sector or 56.1% of companies operating in the transportation and storage sector.

Labour costs are therefore an important factor which influences the prices in industries where they constitute a significant part of total costs, i.e. in construction sector or generally in services. Labour costs represent a great burden in particular for small and medium-sized enterprises; at the same time, entrepreneurs also consider them to be a significant barrier to their development, as the gross wages payable to persons employed constitute only a fraction of all costs incurred by the company due to employment.

### **1.2.5 Inflation and monetary policy**

In 2017, despite of a good economic situation in the global economy, the dynamics of prices in Poland's economic environment stayed moderate. This was promoted by relatively low core inflation as well as lower agricultural commodity prices in global markets compared to the previous year.

Throughout the year, the average CPI remained below the inflation target of the National Bank of Poland and was on average 2.0% (compared to deflation of 0.6% in 2016). CPI dynamics in Poland stayed at a moderate level. This was promoted by still limited - despite of a gradual increase - internal demand pressures and low growth rate of imports prices. They were accompanied by weakening growth rate of energy prices.

However, high, but decreasing, growth rate in the prices of food was the main factor affecting the increase in prices. This was connected, in particular, with lower domestic supply of fruit and some vegetables (the effect of adverse weather conditions in spring and autumn). Furthermore, the prices of meat, dairy and butter rose, which the temporary drop in production in the world in conditions of continued high global demand contributed to. Along with rising household incomes, the domestic demand grew as well, which additionally promoted higher growth of domestic food prices.

In 2017 the main determining factor with respect to the situation on the money market in Poland was the pace and prospects of increased economic activity in the economic environment of Poland. As announced, the Monetary Policy Council (MPC) maintained the interest rates at an unchanged level: the reference rate – 1.5%, the deposit rate – 0.5%, the lombard rate – 2.5%, the rediscount rate – 1.75%. MPC members upheld their opinion that stabilisation of nominal interest rates would keep the Polish economy on the sustainable growth path and that it would allow for maintaining macroeconomic balance.



## 2. CHARACTERISTICS OF POLISH ENTERPRISES

In general, the economic and financial situation of enterprises in 2017 should be positively assessed. In the group of companies employing more than 9 persons, revenues from overall activity, financial results and profitability indicators rose. Revenues from export sales were growing much faster than total revenues. The number of persons employed and average employment increased. Liquidity ratios remained at the level from 2016, but they were higher than the reference level. After a decline in 2016 the increase in investment expenditure was recorded. The investment surplus and financial sources of entrepreneurs grew faster than expenditure, which points to the existing and still rising potential investment self-financing opportunities. The debt increased slower than revenues, causing the reduction of hypothetical time of its payment by means of revenues obtained.

In Poland about 2.0 million non-financial enterprises conduct economic activity. The structure has been unchanged for years. Micro-entities are dominant (96.2%). The share of small and medium-sized enterprises is: 2.8% and 0.8%, respectively. Large entities constitute 0.2% of the total<sup>14</sup>.

Data for 2017 confirm that there is a structural change in the economy resulting from faster growth of value added in modern sectors with slower pace of growth or even a decline in some “traditional” sectors. In the period 2010-2017 “information and communication” was the PKD section with the highest relative increase in value added, followed by “administration and support service activities”, consisting of administrative office service and other business support activities, order maintenance activities, labour market intermediation activities or rental and leasing activities. Furthermore, the value of financial and insurance, transportation and storage as well as manufacturing services dynamically rose.

### 2.1 Demography of Polish enterprises

#### 2.1.1. Number of enterprises, ownership sectors

As of the end of 2017, about 4.3 million entities of the national economy were listed in the REGON register<sup>15</sup> (1.7% more than in the previous year). At the same time, the number of entities with active status does not exceed about 2.4 million.

The majority of them were private entities (about 96.1%, over 4.1 million entities). As usual, sole traders formed the largest group of registered entities (about 69.6%), with a notably larger share than commercial companies (about 12.4%) and private partnerships (about 6.6%).

In 2017 there was a slight increase in the number of registered natural persons although their share in the total number of entities declined. It resulted from the high increase in the number of registered

---

<sup>14</sup> About 4.3 million entities of the national economy were listed in the REGON register (1.7% more than in the previous year).

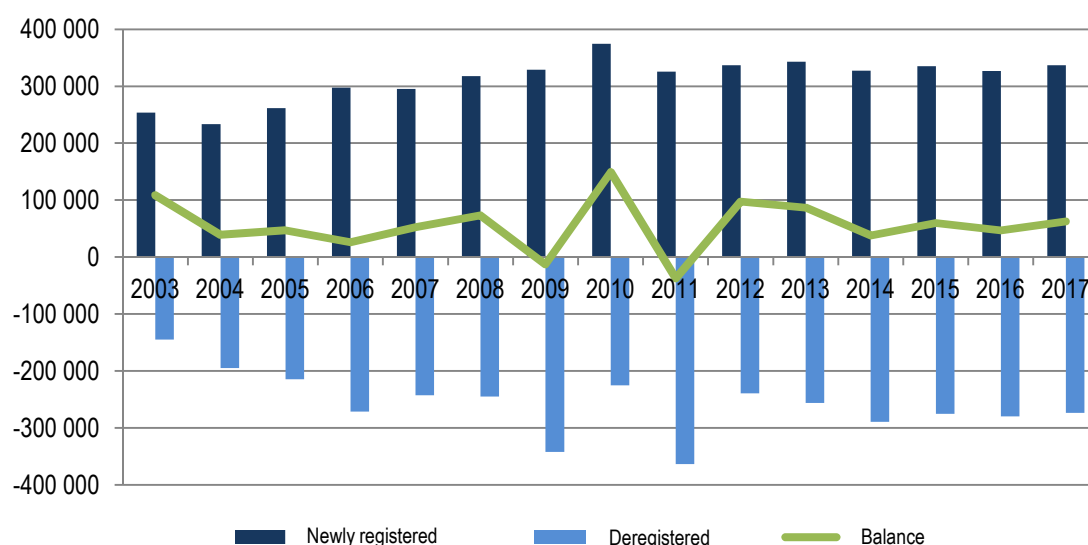
The increase in the number of registered companies (by 4.6%), including commercial companies (by 7.2%), should be regarded as a positive phenomenon, but this has not translated into a visible increase in the share of companies in the structure of all entities yet (a rise from 18.6 to 19.2% with a drop on natural persons from 70.1% to 69.6%). *Structural changes of groups of entities of the national economy entered into the REGON register - 2017*, Central Statistical Office, Warsaw 2017, p. 6.

<sup>15</sup> *Structural changes of groups of entities of the national economy entered into the REGON register - 2017*, Central Statistical Office, Warsaw 2017, p. 6.

commercial companies and partnerships, in particular limited partnerships (19.5%), high increase in the number of limited liability companies (7.3%), professional partnerships (3.7%) and joint-stock companies (1.3%). Such a high increase in the number of limited partnerships may result from the reform of the fiscal law of 2014 (when partnerships limited by shares became income tax payers). At the same time, for another year in a row, the number of Polish active cooperatives grew (with already over 17,000 as of the end of 2017). For another year in a row the number of state-owned enterprises declines (by 2 compared to 2016 to 142).

In the last few years, the number of newly registered enterprises was higher than the number of deregistered from the REGON register enterprises<sup>16</sup>.

**Chart 3. The balance of newly registered and de-registered entities**



Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the CSO data (BDL).

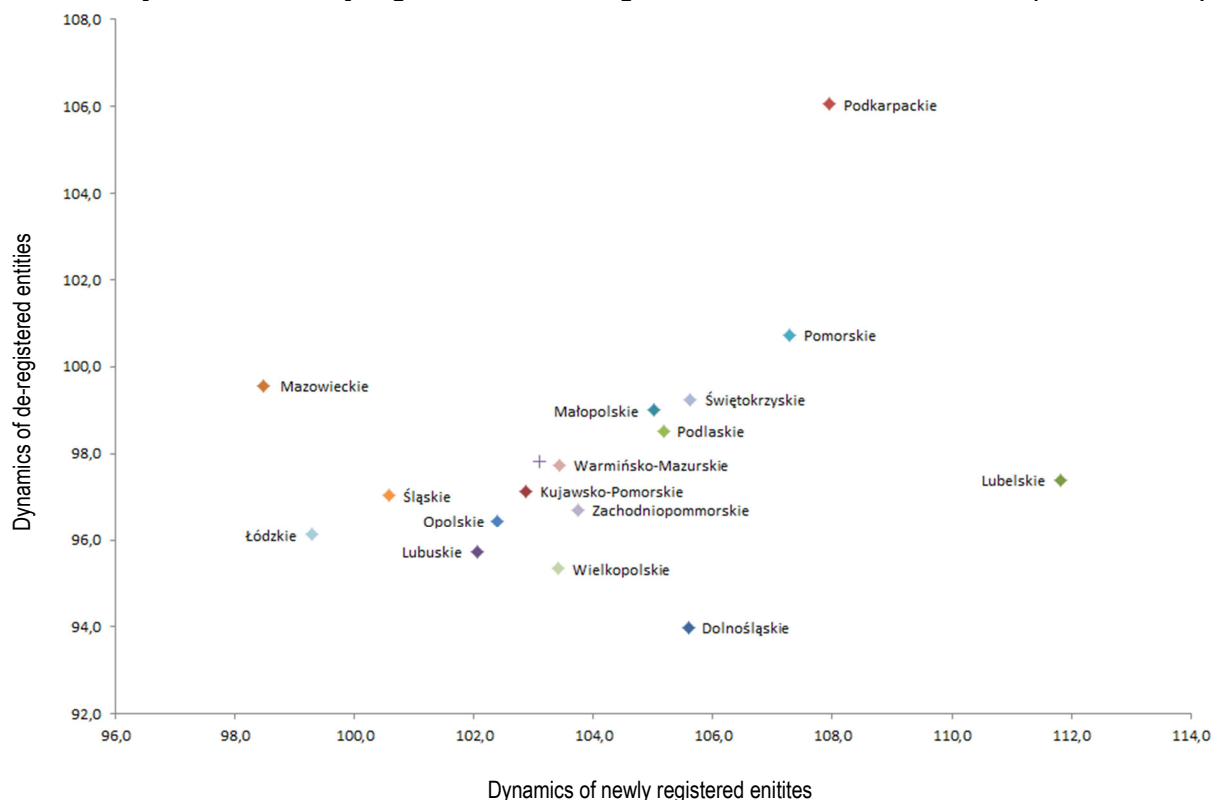
In 2017 the number of newly registered enterprises amounted to about 336.6 thous. The largest increase in per cent in the number of newly registered entities was reported in: *construction* (11.8%), *information and communication* (11.7%) and *arts, entertainment and recreation* (10.8%). The highest increase in per cent in the number of newly registered entities was reported in Lubelskie (11.8%), Podkarpackie (7.9%) and Pomorskie (7.3%).

The number of de-registered entities amounted to about 273.8 thous. The highest increase in per cent in the number of de-registered entities was reported in: *education* (74.1%), *mining and quarrying* (20.2%) as well as *electricity, gas, steam and air conditioning production and supply* (6.2%). The above data results from structural changes in the above-mentioned sectors and low base effect.

The highest increase in per cent in the number of de-registered entities was reported in Mazowieckie (3.6%), Lubuskie (2.7%) and Śląskie (2.7%).

<sup>16</sup>The following sections of PKD 2007 were omitted: S- Other service activities; T - Activities of households as employers; undifferentiated goods- and services-producing activities of private households for own use; U - Extraterritorial organisations and bodies.

**Chart 4. Dynamics of newly registered and de-registered entities on a local basis (data for 2017)**



Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the CSO data (BDL).

### 2.1.2. Active enterprises, size structure, type of activity

According to the Central Statistical Office<sup>17</sup>, in 2016 about 2.0 million non-financial enterprises carried out economic activity in Poland<sup>18</sup>, which was 5.1% higher than in the previous year. As it was the case in the previous years, microenterprises prevailed among all non-financial enterprises (96.2%). The share of small, medium-sized and large enterprises was 2.8%, 0.8% and 0.2%, respectively.

The number of microenterprises visibly grew (by 5.4% y/y) and, what is important, the number of large enterprises also rose (by 4.9%). As far as the increase in the number small enterprises is concerned, it was low (by 0.9% y/y). At the same time, the decline in the number of active medium-sized enterprises was recorded (by 1.6%), which partly resulted from the transfer of part thereof to the category of large enterprises.

Since 2010, the number of microenterprises has been growing, except for 2013. In the analysed period, their share in total number of active entities was between 95.6% and 96.8%, without revealing any clear trends.

<sup>17</sup> Activity of non-financial enterprises in 2016, CSO, Warsaw 2017.

<sup>18</sup> Excluding sections A (Agriculture, forestry and fishing), K (Financial and insurance activities), and O (Public administration and defence; Compulsory social security).

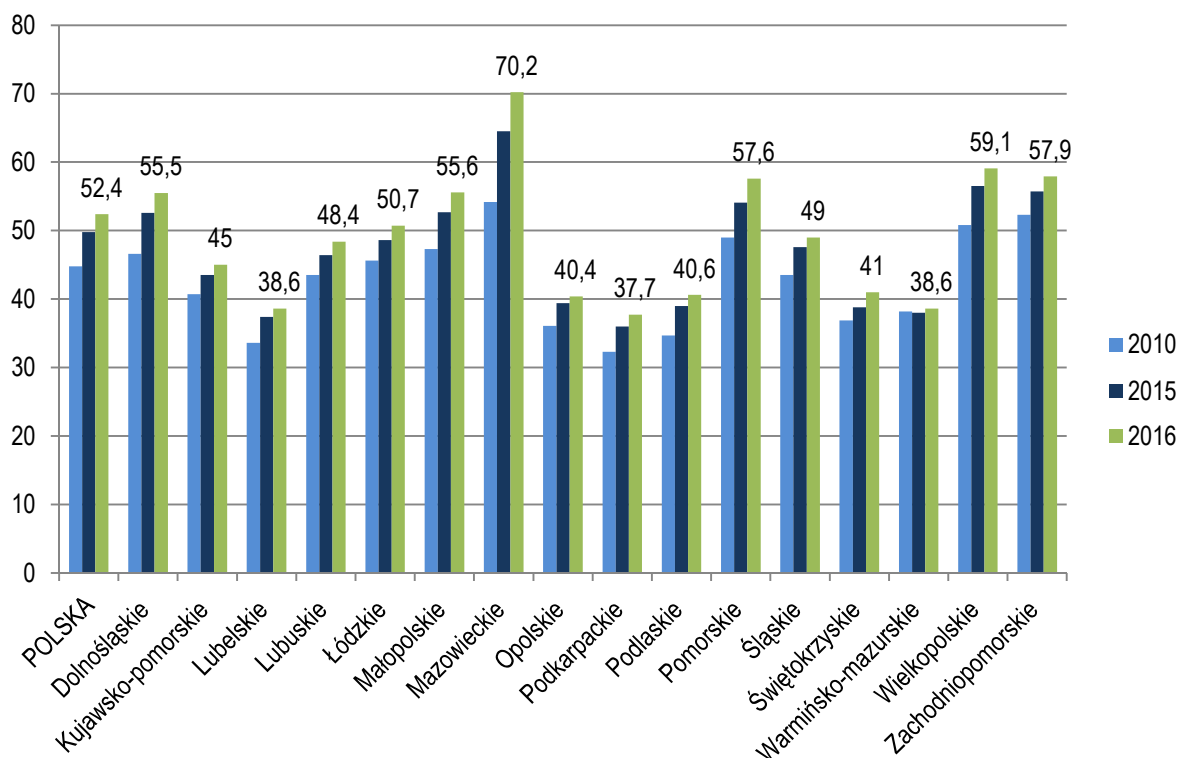
**Table 9. Number of active non-financial enterprises (in thousands) in Poland by size**

	total	0-9 employed persons	10-49 employed persons	50-249 employed persons	250 and more employed persons
2010	1,726.7	1,655.1	52.6	15.8	3.2
2011	1,784.6	1,710.6	55.0	15.8	3.2
2012	1,794.9	1,719.2	57.1	15.5	3.2
2013	1,771.5	1,693.8	59.1	15.3	3.2
2014	1,842.6	1,764.6	59.2	15.5	3.4
2015	1,914.1	1,838.4	56.7	15.6	3.4
2016	2,013.4	1,937.3	57.2	15.4	3.6

Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the CSO data (Activity of non-financial enterprises in 2016, Table 1).

In regional terms<sup>19</sup> the majority of active enterprises (as it had been the case in the previous years) were reported in Mazowieckie (18.7% of all entities), Śląskie (11.1%), Wielkopolskie (10.2%) and Małopolskie (9.3%) Voivodeships. The analysis of the number of enterprises per one thousand residents indicates that, similarly to the previous years, Podkarpackie (37.7), Lubelskie (38.6), Warmińsko-Mazurskie (38.6), Opolskie (40.4), Podlaskie (40.7), Świętokrzyskie (41.0), Kujawsko-Pomorskie (45.0), Lubuskie (48.4), Śląskie (49.0) and Łódzkie (50.7) Voivodeships report worse results than the national average (52.4).

**Chart 5. Number of active enterprises per one thousand residents (as of the end of 2016)**



Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the CSO data (Activity of non-financial enterprises in 2016).

<sup>19</sup> Activity of non-financial enterprises in 2016, CSO, Warsaw 2017, Table 11.

According to the data of the Central Statistical Office<sup>20</sup> regarding active non-financial enterprises, the majority of entities operate in the trade sector (24.9% of all active enterprises). Other types of activity most often chosen by active entities include professional, scientific and technical activities (13.3%), construction (13.1%) and industrial activity (10.4%). It should be emphasised that the share of entities in the section of professional, scientific and technical activities in the total of active entities increased by over 0.6 p.p. In conjunction with the decline in the share of traders (by over 1 p.p.), it could be argued that the structural change of domestic economy in directions of activities with higher value added continues. The structure practically remains unchanged after separation of the SME sector.

**Table 10. Bookkeeping methods in non-financial enterprises in 2016**

	total	0-9 employed persons	10-49 employed persons	50-249 employed persons	250 and more employed persons
ledger	237,037	182,253	36,132	15,087	3,565
<i>Of which: natural persons</i>	30,241	20,712	7,625	1,784	120
<i>Of which: legal persons</i>	206,796	161,541	28,507	13,303	3,445
revenue and expense ledger	1,342,904	1,321,760	20,880	264	0
revenue registry	350,169	350,003	166	0	0
constant amount tax	81,465	81,459	6	0	0

Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the CSO data (Activity of non-financial enterprises in 2016, Table 1).

Similarly to the previous years, enterprises most often choose (in quantitative terms) the revenue and expense ledger as the bookkeeping method (this applies in particular to micro- and small enterprises). Ledger is on the third position after revenue registry.

### 2.1.3. Survival rate, age structure, development potential

From among 256.5 thous. enterprises established in 2016, 179.4 thous. remained active after one year (survival rate of 69.9%)<sup>21</sup>. As expected, the survival rate increased along with the rise in the size of the enterprise: for micro enterprises registered in 2016 the survival rate for a one-year period amounted to about 70%, for small enterprises - about 80% and in the case of medium-sized and large enterprises - it exceeded 90%. Additionally, territorial diversification of the survival rate is observed. Better results than the average were recorded in six voivodeships, i.e. Śląskie (81.2%), Podkarpackie (80.0%), Warmińsko-Mazurskie (78.3%), Podlaskie (78.6%), Łódzkie (76.2%) and Mazowieckie (73.1%).

The analysis of changes in the structure of enterprises in terms of development potential<sup>22</sup> in 2011-2016 does not allow for drawing clear conclusions. Growing enterprises (high-growth, gazelles and growth)

<sup>20</sup> Activity of non-financial enterprises in 2016, CSO, Warsaw 2017, Table 5.

<sup>21</sup> Non-financial enterprises established in the years 2012 – 2016, CSO, Warsaw 2018, pp. 19-20.

<sup>22</sup> Studies on the development potential of enterprises (based on the common methodology of OECD and Eurostat - entrepreneurship indicator programme). The following are distinguished:

1. high-growth enterprises – entities reporting an annual average increase in revenues by 20% or more in the three-year period;
2. growth enterprises – entities reporting an increase in revenues by 10%-20%;
3. stable enterprises – entities reporting similar revenues in the analysed three-year periods (i.e. in the last year their value accounted for 90%-110% of the originally generated revenues);
4. declining enterprises – entities reporting a decrease in revenues by 10%-20%;
5. rapidly declining enterprises – entities reporting an annual average decrease in revenues by 20% or more in the three year period.

achieved the highest share in 2012 (about 53.7%) but in further years declines began (minimum was reached in 2014). This suggest quite fast moving of next groups of entities in the direction of stabilisation and decline phases. However, reaching stable 50% by growth enterprises over the years should be positively assessed.

**Table 11. Enterprises by development potential (according to the methodology of the Central Statistical Office)**

Year	total	high-growth enterprises	gazelles	growth enterprises	stable enterprises	declining enterprises	rapidly declining enterprises
	number	%					
2011	37,356	10.0	0.8	37.7	23.3	23.9	5.1
2012	38,611	13.7	1.0	39.0	22.8	20.1	4.4
2013	38,194	10.5	0.7	36.9	25.6	22.3	4.7
2014	38,745	8.6	0.6	34.6	27.5	24.6	4.7
2015	39,051	9.6	0.8	35.8	26.8	23.6	4.2
2016	40,138	9.9	1.0	37.7	26.8	21.1	4.5

Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the CSO data (Non-financial enterprises established in the years 2012 – 2016).

In regional terms, the highest number of high-growth enterprises were reported in Mazowieckie (727), Śląskie (490), Wielkopolskie (385), Małopolskie (358) and Dolnośląskie (331) Voivodeships, while the lowest number was reported in Opolskie (72) and Świętokrzyskie (75) Voivodeships.

#### 2.1.4. Family businesses

Family businesses constitute one of important pillars of foreign economies - and Poland is certainly no exception<sup>23</sup>. According to the studies, inter alia, by the Polish Agency for Enterprise Development (PARP)<sup>24</sup>, the Institute of Family Businesses<sup>25</sup> or the Polish Confederation Lewiatan<sup>26</sup>, enterprises identified as family businesses account for about 36-42% of all active enterprises in Poland. However, in the case of a broader definition of family businesses, their share may account for as much as about 80% of enterprises. For comparison, in Europe this share is between 55% (Sweden) and over 90% (Cyprus)<sup>27</sup>, and in the United States it reaches 90%.

According to the results of the cyclical studies carried out by the Family Businesses Foundation (of 2015<sup>28</sup> and 2017<sup>29</sup>, among others), Poles show a positive attitude towards family businesses. The study indicates that domestic consumers equate their products with a high quality, traditional recipe or production method. Trust that consumers place in these entities is often emphasized, which also means the willingness to recommend them to friends.

---

Out of the group of high-growth enterprises a group of so-called gazelles was distinguished, consisting of high-growth enterprises operating on the market for no longer than 5 years.

<sup>23</sup>Methodological differences hinder unequivocal and comparable determination of numbers of such type of entities.

<sup>24</sup>Family Businesses in Poland 2014, Polish Agency for Enterprise Development, Warsaw 2015.

<sup>25</sup>Family Business is a Brand, Institute of Family Businesses, Łódź 2016.

<sup>26</sup>M. Starczewska-Krzysztozek, CV of Family Businesses, Polish Confederation Lewiatan, Warsaw 2015.

<sup>27</sup> <http://www.europeanfamilybusinesses.eu/family-businesses/facts-figures>

<sup>28</sup>Poles on family businesses 2015 End of the private operator's myth, nACT Public Relations, Poznań, October 2015.

<sup>29</sup> The Report "Poles on family businesses. Enterprises built on trust" Family Businesses Foundation, Poznań, October 2017.

Family businesses most often operate in the trade and service sectors (G - trade, H – transportation, M+N – professional and administrative service activities). Industry and manufacturing are also broadly represented, unlike education or finance.

On the Warsaw Stock Exchange (both on WSE and New Connect) one can also find enterprises which are family businesses. The report prepared by Grant Thornton<sup>30</sup> indicates that family businesses constitute even 20% of all listed enterprises (excluding financial institutions and foreign enterprises). It confirms a high potential of the capital market, also for the development of this type of entities.

## **2.2 Polish enterprises in the context of the Small Business Act**

As it had been presented in the previous reports<sup>31</sup>, Polish SME sector still shows a negative deviation from the European average, mainly with respect to the size structure of enterprises and the performance of micro- and small enterprises.

The share of microenterprises is higher than the EU average by about 2 p.p. while the number of persons employed by those entities in Poland is higher than the EU average by about 7 p.p. At the same time, Polish microenterprises produce over 2 p.p. less value added than the EU average.

Lower share of small enterprises in the total population of non-financial enterprises is also notable. In addition, the situation of those enterprises is also worse than among of their EU counterparts both in terms of employment and in terms of value added (the result about 4 to 5 p.p. lower than the EU average).

It should be noted that Polish medium-sized enterprises report relatively better economic indicators (with respect to employment and in terms of value added) than the EU average. Furthermore, special attention should be given to large enterprises which with a similar, lower share in the total number of employed persons (by almost 2 p.p. less than the EU average) generate over 4 p.p. of value added more than their EU counterparts.

---

<sup>30</sup> *Family business on the Stock Exchange*. The analysis of family businesses listed on the Warsaw Stock Exchange. Grant Thornton, Warsaw, February 2018.

<sup>31</sup>As data for the report were prepared by DIW Econ, they are not fully comparable with Central Statistical Office data. Population of non-financial enterprises was partly limited (applicable to entities from NACE Rev. 2 sections B – J, L, M and N.).

**Table 12. Polish SME sector compared to the EU SME sector (in the context of SME Performance Review 2017)**

Size class	Number of enterprises			Number of employed persons			Value added		
	Poland		UE-28	Poland		UE-28	Poland		UE-28
	Number (in thous.)	Share (%)	Share (%)	Number (in thous.)	Share (%)	Share (%)	EUR billion	Share (%)	Share (%)
Micro	1,535.6	95.3	93.0	3,235.3	36.8	29.8	35.3	18.4	20.9
Small	58.2	3.6	5.8	1,218.9	13.9	20.0	26.5	13.8	17.8
Medium	14.7	0.9	0.9	1,559.7	17.8	16.7	39.1	20.4	18.2
<b>SME sector</b>	<b>1,608.5</b>	<b>99.8</b>	<b>99.8</b>	<b>6,014.1</b>	<b>68.4</b>	<b>66.6</b>	<b>100.9</b>	<b>52.5</b>	<b>56.8</b>
Large	3.2	0.2	0.2	2,772.8	31.6	33.4	91.1	47.5	43.2
Total	<b>1,611.7</b>	<b>100.0</b>	<b>100.0</b>	<b>8,786.9</b>	<b>100.0</b>	<b>100.0</b>	<b>192.1</b>	<b>100.0</b>	<b>100.0</b>

Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the European Commission data.

The analysis of the Polish SME sector in the context of the EU average broken down by respective sectors of the economy is also interesting.

As a rule, Poland is characterised by a higher number of active entities than the EU average in sectors: trade (by over 5 p.p.), manufacturing (by over 3 p.p.) and construction (by less than 1 p.p.), while in the case of services the result is lower by over 9 p.p. than the EU average.

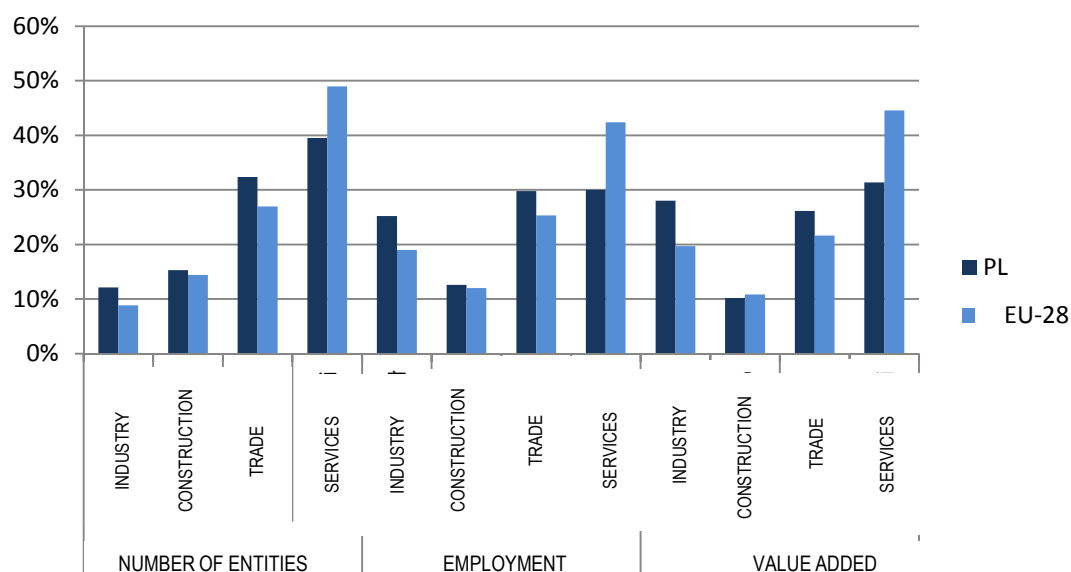
As far as employment is concerned, the above-mentioned sectors again show a higher share in total employment. However, their order is different, i.e.: manufacturing (by over 6 p.p.), trade (almost 5 p.p.) and construction (by less than 1 p.p.). In the case of the service sector, domestic enterprises employ by over 12 p.p. less than the EU average.

However, in terms of value added created by particular sectors, in Poland the following are significantly higher than the EU average: manufacturing (by over 8 p.p.) and trade (by over 5 p.p.). The worse result was recorded in the case of construction (by almost 1 p.p.) and services (by over 13 p.p.).

The results presented by the domestic SME sector indicate that domestic economy is based on the manufacturing sectors and other industries stronger than average in EU. The support of economy transformation in the area of services is still necessary, as services with lower value added than in the case of the EU average prevail in it.



**Chart 6. Polish SME sector compared to the EU SME sector (in the context of SME Performance Review 2017)**



Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the European Commission data.

**Table 13. Polish SME sector compared to the EU SME sector (in the context of SME Performance Review 2017)**

Area Activity sector	Number of entities		Employment		Value added	
	PL	UE-28	PL	UE-28	PL	UE-28
Non-financial enterprises	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Mining and quarrying	0.12%	0.08%	0.35%	0.20%	0.57%	0.52%
Manufacturing	12.11%	8.86%	25.19%	19.04%	28.01%	19.68%
Electricity, gas, etc. production and supply	0.19%	0.38%	0.46%	0.31%	1.31%	1.51%
Water supply; sewerage, waste management etc.	0.45%	0.31%	1.59%	0.86%	2.4%	1.22%
Construction	15.27%	14.4%	12.61%	11.97%	10.19%	10.87%
Wholesale and retail trade	32.35%	27%	29.79%	25.25%	26.15%	21.64%
Transportation and storage	9.13%	5.04%	7.4%	6.18%	6.82%	6.24%
Accommodation and food service activities	3.22%	8.12%	3.59%	10.00%	1.92%	4.63%
Information and communication	4.98%	4.82%	3.44%	4.19%	4.41%	6.49%
Real estate activities	2.54%	5.88%	2.62%	2.71%	4.81%	5.98%
Professional, scientific and technical activities	15.43%	18.74%	8.97%	11.31%	9.48%	13.71%
Administrative and support service activities	4.23%	6.36%	3.99%	7.98%	3.94%	7.52

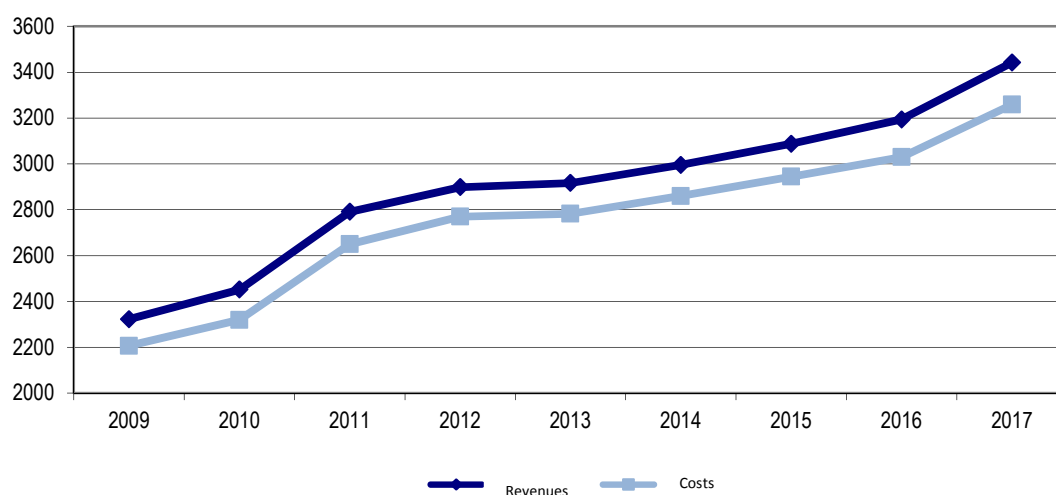
Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the European Commission data.

## 2.3 Economic and financial situation of enterprises in 2017<sup>32</sup>

In general, the economic and financial situation of enterprises in 2017 should be positively assessed. Revenue from overall activity, financial results and profitability indicators rose. Export revenues were growing much faster than total revenues

Revenues from overall activity in 2017 amounted to PLN 3,441.8 billion, which was 7.8% higher than in the previous year. Export revenues amounted to PLN 755.2 billion and rose by 10.4%. The share of exports in total revenues increased from 21.4% to 21.9%. This ratio has been gradually growing for many years (it was 16.4% in 2009). Revenues from overall activity were growing faster than their deductible costs, which resulted in a dynamic improvement in financial results and profitability ratios.

**Chart 7. Revenues from overall activity and their deductible costs in 2009-2017 (PLN billion)**

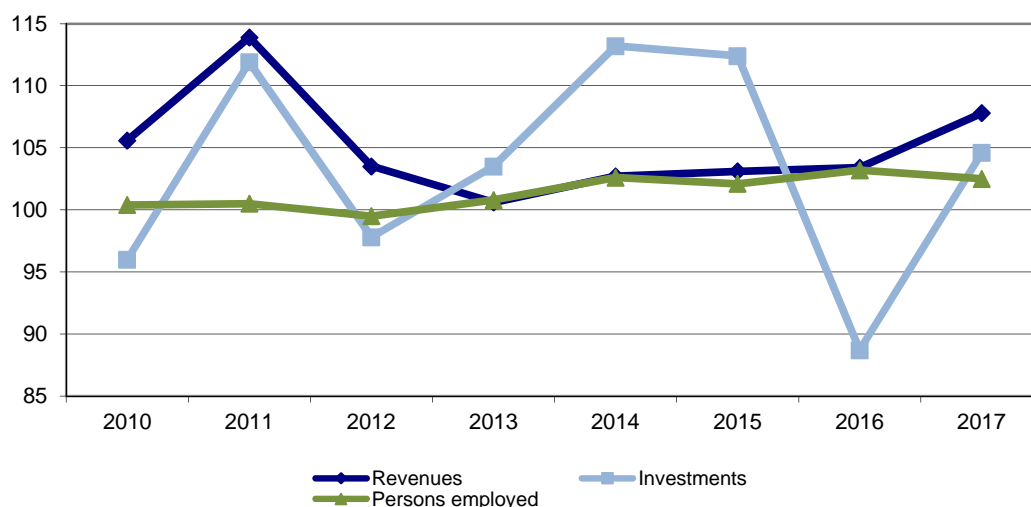


Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the CSO data, The Report F-01

Gross and net financial results amounted to PLN 183.1 billion and to PLN 154.7 billion, respectively, recording an increase by nearly 12%. Gross profitability increased from 5.1% to 5.3%, while net profitability grew from 4.3% to 4.5%. All three liquidity ratios remained at the level from 2016 and were higher than reference ratios. Total debt (PLN 1,312.9 billion) grew by 5.1%, which was slower than the revenue growth rate, increasing the potential to cover debt with generated revenues. Investment expenditure (PLN 152.3 billion) increased by 4.6% which, considering the simultaneous increase in both financial surplus (by 6.5%) and disposable income of enterprises (by 8.2%) means the existing and increasing potential for the self-financing of investments. The analysed enterprises employed 5,491 thous. persons (increase by 2.5%), with average employment amounting to 5,210 thous. persons and was higher by 2.3%.

<sup>32</sup>Applicable to business operators where the number of persons employed exceeds 9.

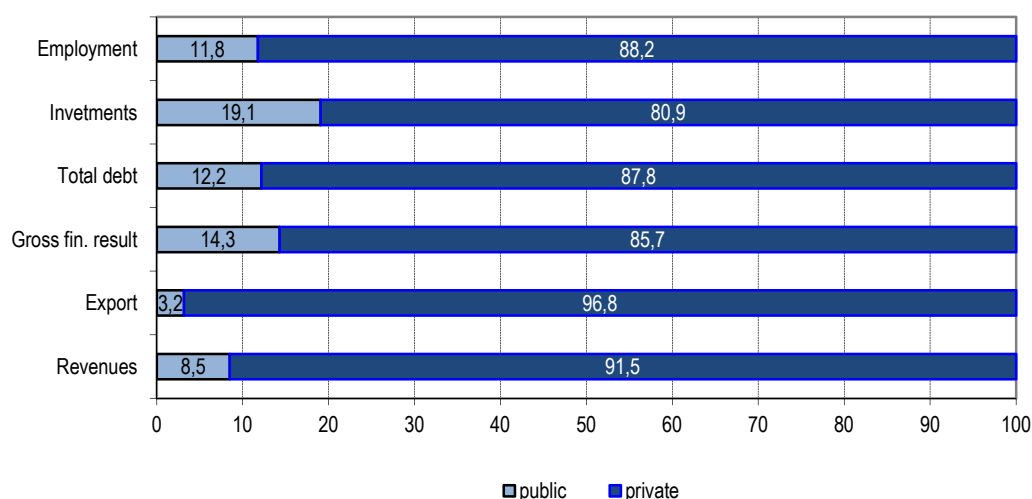
**Chart 8. Dynamics of total revenues, investments and the number of employed persons in 2010-2017 (%)**



Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the CSO data, The Report F-01.

**In terms of ownership sectors**, the situation was similar. In the public sector revenues from overall activity increased by 12.4% and in the private one by 7.3%. The share of the private sector in revenues decreased from 91.8% to 91.5%. In both sectors the dynamics of exports got ahead the dynamics of total revenues. Export revenues in the public sector rose by 18.2% and in the private one by 10.2%. As a result, the share of exports in revenues in the public sector increased from 7.9% to 8.3% and in the private sector from 22.6% to 23.2%. In both sectors financial results improved. In the public sector profitability ratios increased and in the private one they remained at last year's level. Total liabilities in the public sector (PLN 159.8 billion) rose by 4.0% and in the private sector (PLN 1,153.1 billion) by 5.2%. In both cases the growth rate of liabilities was lower than the growth rate of revenues, resulting in higher potential to cover liabilities with generated revenues.

**Chart 9. Structure of selected economic categories in 2017 by ownership sectors (%)**



Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the CSO data, The Report F-01.

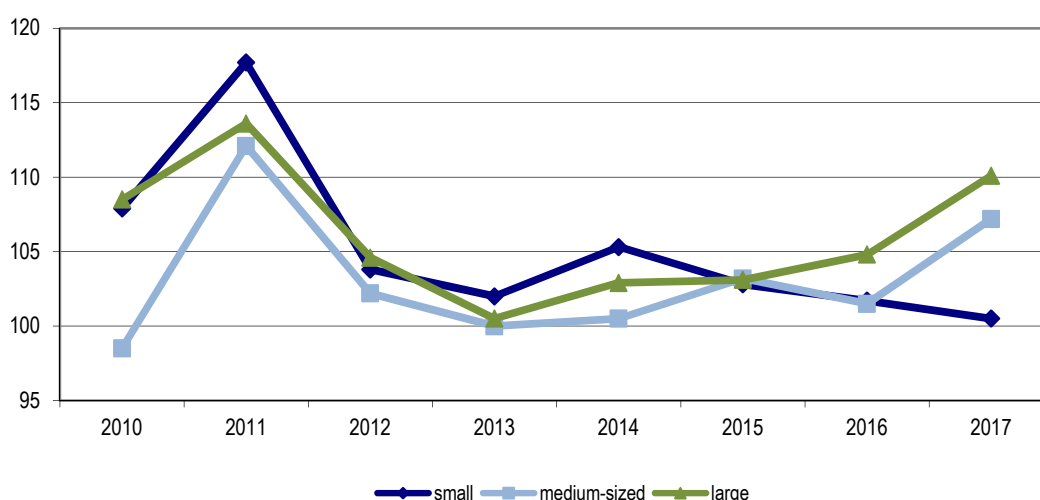
In both sectors investment expenditure grew: in the public one it was very fast (by 20.1%), while in the private one it was insignificant (by 1.5%). The share of the private sector in investment expenditure decreased from 83.4% to 80.9%. Due to the low dynamics of expenditure, the private sector reported an

increase in the potential for the self-financing of investments, both by surplus and disposable income of enterprises. In the public sector the potential for the self-financing by surplus insignificantly rose, while the potential for the self-financing by disposable income significantly decreased. In the studied enterprises the number of persons employed in the public sector grew up to 649 thous. people (by 3.3%), while in the private sector up to 4,845 thous. people (by 2.4%).

**In sections of the economy**, the financial situation was diverse<sup>33</sup>. In all those sections, revenues increased. Only in two out of studies sections (mining and quarrying and electricity, gas, steam and hot water supply) the dynamics of revenues got ahead the dynamics of costs, which resulted in the significant increase in gross and net financial results as well as profitability ratios. In other sections the dynamics of revenues was lower than the dynamics of costs: in these sections gross and net profit margin declined. For many years the sections such as manufacturing as well as trade and repairs have been generating the highest revenues. In 2017 the share of the first in the total revenues amounted to 37.1%, while the latter - 33.4%. These together sections were over 70% in total revenues in 2017.

**In entities by size**<sup>34</sup>, the financial situation was much more stable than in terms of ownership sectors and sections of the economy.

**Chart 10. Dynamics of revenues in 2010-2017 by size of enterprises (%)**



Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the CSO data, The Report F-01.

In all groups of entities the increase in exports was recorded. The indicator of export share in revenues of the overall activity decreased only in medium-sized enterprises. This indicator increases along with the size of enterprises (from 10.0% in small enterprises to 27.3% in large ones). In the structure of export revenues large entities (about 75%) and medium-sized ones (about 18%) have the highest share.

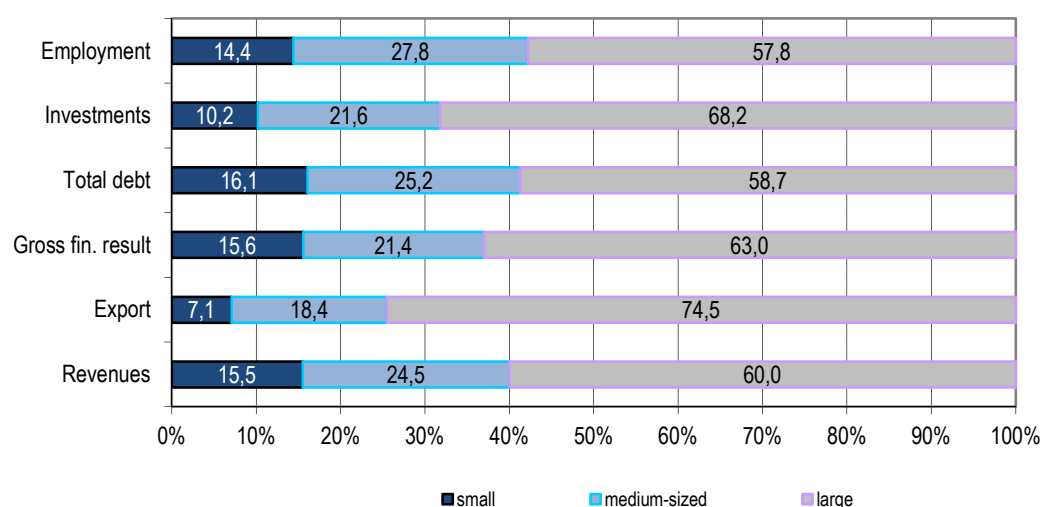
The increase in investment expenditure was observed in all groups of entities, in the case of medium-sized enterprises it was the fastest. The structure of investment expenditure is close to the structure and export revenues and it significantly deviates from the structure of revenues of overall activity, results

<sup>33</sup>The analysis covered seven sections of the economy: four industrial sections (mining and quarrying, manufacturing, electricity, gas, steam and hot water supply, water supply; sewerage, waste management and remediation activities), as well as construction, trade and repairs, and transportation and storage.

<sup>34</sup>Enterprises were divided into three groups. The number of employed persons constitutes a criterion for the division. Small enterprises employ 10-48 persons, medium-sized enterprises employ 50-249 and large ones - over 249 persons.

and debt. Large enterprises, the share of which amounts to 70% and medium-sized enterprises with the share of about 20% dominate in it. The significantly higher share of large entities in investment expenditure than that in revenues and financial results (70% compared to about 60%) partly results from the fact that entities of the fuel and energy sector characterised by high capital-intensive nature are classified mainly in the group of large entities. The potential opportunities of self-financing of the investment both by investment surplus and own funds improved in small and large enterprises. However, in medium-sized entities opportunities of self-financing by means of investment surplus were reduced, but improved in the case of own funds. Average employment and the number of employed persons increased in medium-sized and large entities. Small enterprises employed 792 thous. people (a drop by 4.4%), in medium-sized 1,527 thous. people (an increase by 2.2%) and in large ones 3,171 thous. people (a rise by 4.5%). In 2017 the share of particular groups of enterprises in the total number of employed persons amounted to 14.4%, 27.8% and 57.8%, respectively.

**Chart 11. Structure of selected economic categories in 2017 by size of enterprises (%)**



Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the CSO data, The Report F-01.

Considering the scale of economic activity in respective regions, the analysis of the size of parts of financial categories in this structure is quite obvious. The highest revenues from overall activity were reported by enterprises located in Mazowieckie (31.7% of total revenues), Wielkopolskie (13.0%), Śląskie (11.8%) and Małopolskie (7.4%) Voivodeships. The revenues generated in those voivodeships accounted for 63.9% of total revenues. Podlaskie, Świętokrzyskie, Lubuskie and Warmińsko-Mazurskie Voivodeships are on the other side of the spectrum. The ranking of voivodeships is different in terms of the growth rate of revenues. Revenues grew in all voivodeships, but the most in Podlaskie (by 15.0%), Pomorskie (by 10.5%), Opolskie (by 9.7%) and Śląskie (by 9.1%) Voivodeships. In all voivodeships, revenues from exports rose. Enterprises from Mazowieckie (22.6% of total domestic exports), Śląskie (16.7%), Wielkopolskie (12.8%) and Dolnośląskie (10.3%) Voivodeships generated the highest revenues. Those four voivodeships generated 62.4% of the domestic exports (61.8% in the previous year).

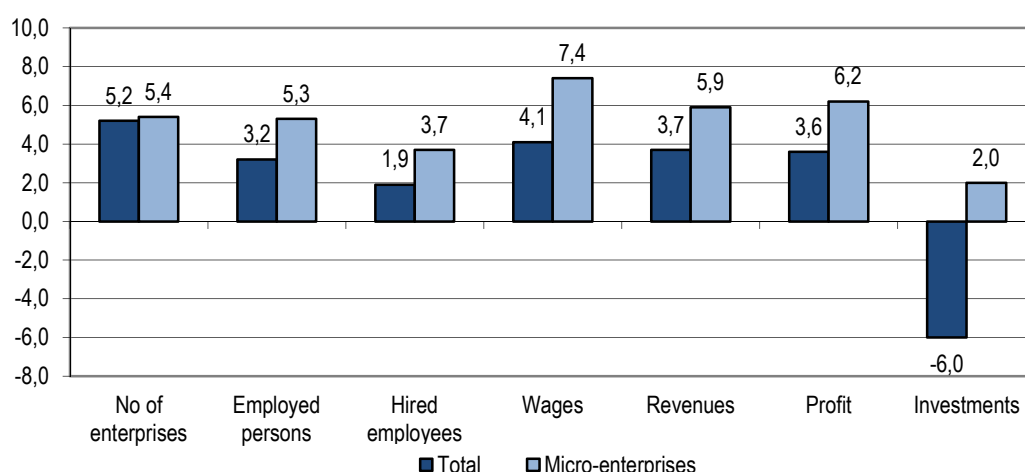
Investment expenditure increased in 11 voivodeships, the most in Kujawsko-Pomorskie (by 20.7%), Podlaskie (by 14.1%) and Dolnośląskie (by 11.2%). The deepest declines concern: Lubuskie (by 11.3%) and Łódzkie (by 13.4%) Voivodeships. The highest amount of funds was invested in Mazowieckie (PLN 49.3 billion; 32.4% of total expenditure), Dolnośląskie (PLN 17.3 billion; 11.4%), Śląskie (PLN 16.8 billion; 11.0%) and Wielkopolskie (PLN 15.5 billion; 10.2%) Voivodeships. Total amount of investments in those four voivodeships accounted for 65.0% of total funds. Świętokrzyskie, Opolskie, Lubuskie and

Warmińsko-Mazurskie Voivodeships report the lowest investments, from PLN 1.6 billion to PLN 2.0 billion. Total amount of investments in those four voivodeships accounted for 4.9% of total funds.

## 2.4 Analysis of the sector of microenterprises in 2016

In 2016, the number of microenterprises was growing much faster than in other categories of enterprises. Also the number of the persons employed and employees in microenterprises was rising more dynamically than in the economy as a whole. As a result, the share of microenterprises in total number of business operators and the share of the persons employed and paid employees in microenterprises in the total number of the employed persons and paid employees increased. The growth rate of average wages in microenterprises was higher than the growth rate of average wages in the economy, which improved the wage ratio. Revenues and gross profits of microenterprises also grew faster than in the case of the economy as a whole. The share of microenterprises in revenues and gross profit increased. The progress was reported in investment activity of the smallest enterprises. Investment expenditure slightly grew compared to the decline in investments in the economy. As a result, the share of microenterprises in investments increased.

**Chart 12. Changes of selected economic categories in the economy and in microenterprises in 2016 compared to the previous year in %**



Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of Activity of non-financial enterprises in 2016, CSO 2018.

## 2.5 Structural change – a sectoral approach

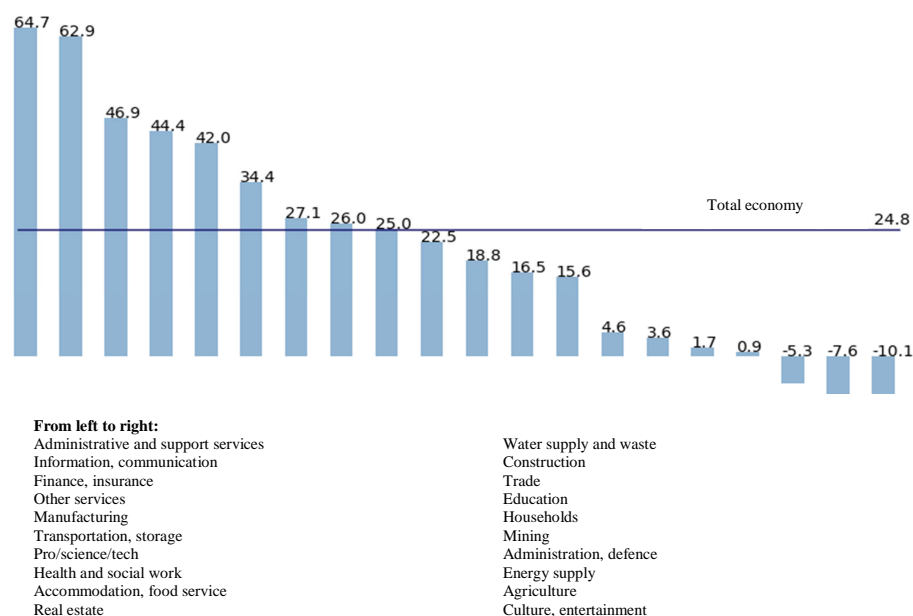
### 2.5.1 Value added by section of the Polish Classification of Activities (PCA)

Observation of changes in the structure of economic activity is important as not all industries (defined at different levels of the Polish Classification of Activities<sup>35</sup>) identically contribute to general welfare. They differ in terms of e.g. development prospects, labour intensity, capital intensity, labour productivity, profitability, level of innovation or level of prices of products sold, both on the domestic and on the international market. Changes in the share of respective industries in total output, employment or

<sup>35</sup>From the most general category: section, division, group, class, subclass.

investments may reveal the qualitative aspect of economic growth, in particular the extent to which the growth rate can be maintained in the future due to shifting labour and capital resources to industries, that more effectively transform those resources into value added.

**Chart 13. Real growth of gross value added in the economy in 2010-2017 (%)**



Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the CSO data.

Data for 2017 confirm the fact recorded in the previous edition of the report Entrepreneurship in Poland - there is a structural change in the economy resulting from faster growth of value added in modern sectors, which is accompanied by slower pace of growth or even decline in some “traditional” sectors. In the period 2010-2017 information and communication was the PCA section with the highest relative increase in value added, followed by “administration and support service activities”, consisting of administrative office service and other business support activities, order maintenance activities, labour market intermediation activities or rental and leasing activities. Furthermore, the value of financial and insurance, transportation and storage as well as manufacturing services dynamically rose.

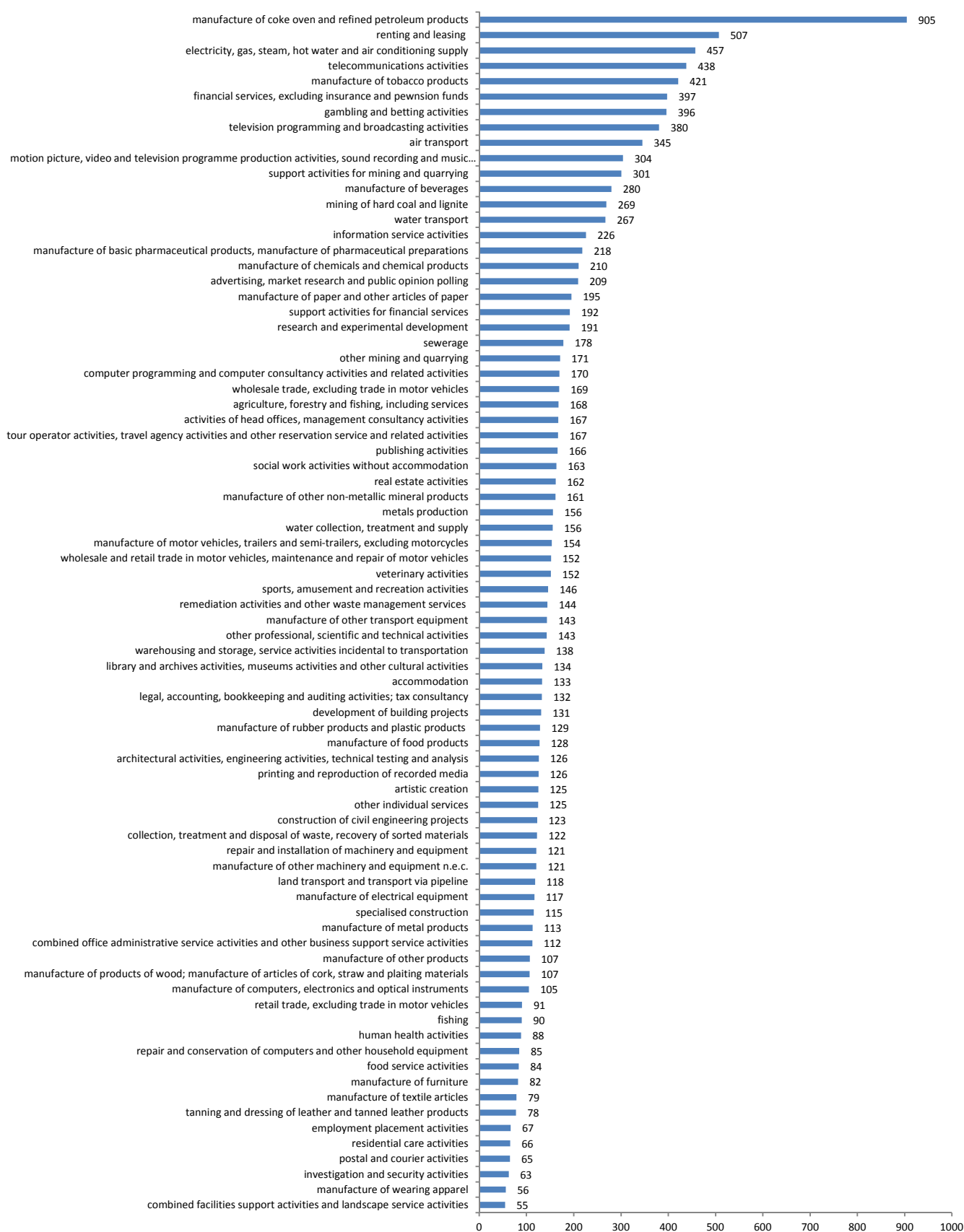
Broadly defined manufacturing and trade (including repair of motor vehicles) remain two largest sections of the economy which in 2017 generated together about 39% of gross value added. Thanks to an above average dynamics, manufacturing has been the largest category since 2014, the contribution of which in the total value added amounted to 21% in 2017. In the case of trade, dynamics of growth lower than total economy average caused the declining importance of this section from 19.3 to 17.8% of the total gross value added between 2010 and 2016.

## 2.5.2 Labour productivity<sup>36</sup>

The analysis of labour productivity shows how much the effectiveness of the activity depends of its specificity, in terms of both low/high labour intensity specific for a given industry (e.g. processing of coke and crude oil, rental and leasing activities) or the recognition of high scalability (audio-video production, telecommunication).

<sup>36</sup>For enterprises with over 9 employees.

**Chart 14. Labour productivity in 2017 (PLN thousand per person employed)**





### 3. DEVELOPMENT PROCESSES IN ENTERPRISES

The growing share of innovative enterprises with a significant dynamics of R&D expenditure of this sector, indicates a favourable structural change and acceleration of development processes. In the Polish economy the share of enterprises which are modern, open and ready for foreign trade is rising, as evidenced, inter alia, by the ratio of exports of goods and services to GDP.

The relation of R&D expenditure to GDP still remains at the level of about 1.0%. However, the significant and dynamically growing involvement of the enterprise sector in R&D - which is the economy innovativeness indicator - is noticeable at the same time. In 2016 the share of enterprise sector entities in internal expenditure on R&D activities was at the level of 65.7% compared to 26.6% in 2010. This positive trend did not translate into the improved position of Poland in the international innovativeness rankings. In the most recognisable ranking European Innovation Scoreboard Poland maintained the low 25th position, remaining in the group of the so-called moderate innovators. According to the ranking, the strengths of the innovation system include the favourable environment, consisting of the access to the broadband Internet and entrepreneurship, whereas innovative activity of the SME sector and the system of scientific research are its weaknesses.

In Poland the ICT sector is booming. It is another year of an increase in employment in this sector, accompanied by the rise in the number of enterprises. In the context of the change in the Polish industry in the direction of Industry 4.0, it is worth noticing the percentage of enterprises using cloud computing (for the first time the two-digit value of the indicator was recorded). Furthermore, studies show more and more common use of modern production technologies, such as automatization, robotization or additive technologies (3D printing).

The Act of 10 May 2018 on the support for new investments entered into force on 30 June 2018. The main objective thereof is to create attractive conditions for conducting economic activity and investments, not only for large enterprises, but in particular for entities from the SME sector. This solution accounts for the implementation of one of the pillars of the Strategy for Responsible Development - Capital for Development.

According to the Strategy for Responsible Development, clusters play a significant role stimulating development processes. They facilitate the collaboration between SMEs and enhance their innovativeness growth. Activities related to the identification and support of Key National Clusters are an essential component of the cluster policy. In 2018 the cluster assessment system under the Competition for KNC status was updated. The introduced changes reflect desirable directions of development of clusters in Poland and aim at providing a better cohesion between the cluster policy and other public policies.

Similarly to the previous report, the attention must be paid to more and more often indicated development barrier related to the lack of appropriately qualified employees. The problems of filling vacancies are accompanied by negative demographic trends and early retirement. Among other important areas which are development barriers entrepreneurs indicate also the amount of taxes and fees and complexity of regulation.

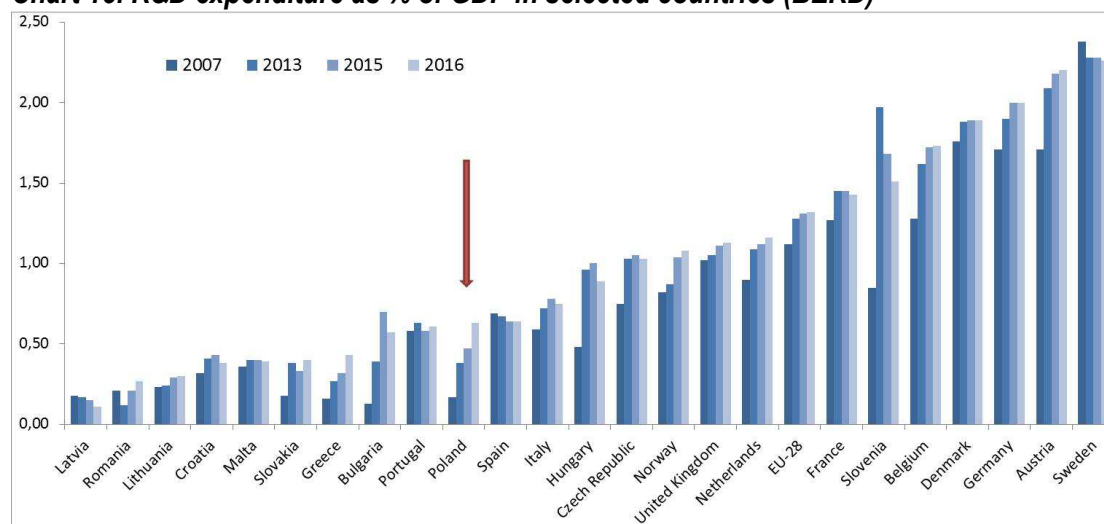
## 3.1 Innovation and technological development

### 3.1.1. Innovativeness of the Polish economy

Polish enterprises are more and more innovative entities which are actively involved in research and development activities and are much more likely to establish cooperation. The data indicates a growing willingness among entrepreneurs to take risk which is an inevitable component of innovative activity. Enterprises in Poland recognise the benefits of innovation implementation and they try to exploit such opportunities more and more boldly, although many areas of R&D&I need to be improved.

The expenditure on research and development activity related to GDP is one of important indicators of innovative economy and technological progress. In this case the indicator for Poland (about 1.0% of GDP) is significantly lower than the EU average (2.03%). Constantly growing R&D expenditure of the enterprise sector looks promising. In 2016 the sector invested the amount four times higher in nominal terms compared to 2010 and its share in total R&D expenditure was 65,7% (26.6% in 2010). In comparison to other countries of the European Union, in terms of BERD index in GDP Poland overtakes Portugal or Slovakia.

**Chart 15. R&D expenditure as % of GDP in selected countries (BERD)**



Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the Eurostat data.

Poland ranks poorly in international innovation rankings. It maintained 25<sup>th</sup> position in the *European Innovation Scoreboard 2018* and remained in the group of the so-called moderate innovators. According to the ranking, the strengths of the innovation system include the favourable environment, consisting of the access to the broadband Internet and entrepreneurship, whereas innovative activity of enterprises (SMEs) and the system of scientific research are its weaknesses. In the *Global Innovation Index 2018* (GII) Poland was ranked 39<sup>th</sup> (among 126 countries), after Bulgaria, Slovakia and Latvia. The leader is Switzerland, followed by the Netherlands and Sweden.

In comparison with other countries, R&D enterprises operate in Poland on a relatively small scale. Among 2,500 companies which were global leaders in terms of R&D investment in 2017, i.e. they spent at least EUR 24 million for this field (according to The 2017 EU Industrial R&D Investment Scoreboard), there were no Polish enterprises. For comparison, Germany has 134 such companies, while Hungary one. In recent years only in the 2014 ranking one Polish company was recognised. In the analogous list of 1000 enterprises from EU countries, two Polish enterprises (in the previous edition there were also two and 3 years ago four enterprises) were classified in the second 500 of this ranking which takes into

consideration enterprises investing in research and development at least EUR 7 million a year. In the ranking there were 3 enterprises from the Czech Republic, 1 from Hungary and 224 from Germany.

More and more entities undertake innovative activity. Since 2012, the share of innovative enterprises<sup>37</sup> in the industrial sector has been growing, while decreasing in services. Only in the last study the change in this trend was observed. The current data on innovation activities of enterprises in 2012-2016 indicate that the share of innovative companies amounted to 18.7% in industry (an increase by 1.1 p.p. y/y) and 13.6% in services (an increase by 3.8 p. p. y/y)<sup>38</sup>. The increase was also observed among innovation-active enterprises. In the years 2014-2016 innovation-active enterprises<sup>39</sup> in the industry and services accounted for 20.3% and 14.5%, respectively of the total number of such entities (compared to 18.9% and 10.6% in the years 2013-2015).

Both sectors reported better results in the most innovative group of enterprises, i.e. large enterprises employing 250 persons or more. In the years 2014-2016 61.5% of large industrial enterprises and 44.0% of service enterprises introduced at least one innovation to the market (compared to 60.6% and 42.8% in 2013-2015, respectively). Small enterprises (10-49 employees) were least innovative, with only one in eight introducing innovations to the market, whereas in previous years this was one in ten.

In accordance with the above-mentioned CSO methodology, the most innovation-active sections of industry and services include insurance, reinsurance and pension funding; scientific research and experimental development; mining of coal and lignite; manufacture of basic pharmaceutical products and pharmaceutical preparations, manufacture of computer, electronic and optical products, manufacture of chemicals and chemical products as well as manufacture of coke and refined petroleum products. At the same time, low innovativeness was reported for enterprises operating in such sections as air, land and pipeline transport, manufacture of leather and products as well as advertising and market research.

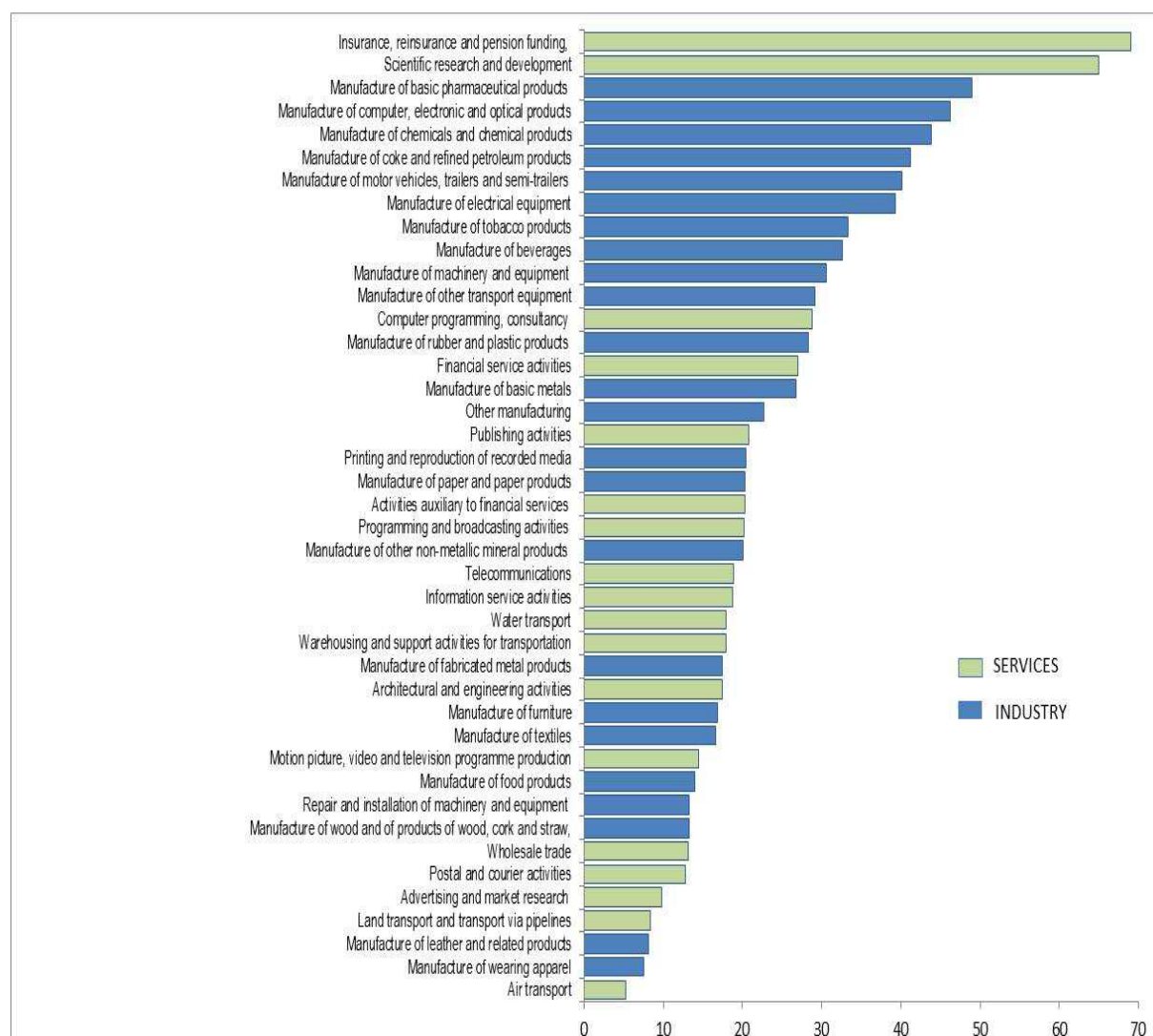
---

<sup>37</sup>For statistical purposes (comparability with international data), an innovative enterprise is an enterprise which during the analysed period introduced at least one product or process innovation on the market. A product or process innovation is understood as a new or significantly improved product or service, respectively, as well as methods of production, distribution and support of the activity. The novelty criterion may apply to the whole market or to the enterprise alone.

<sup>38</sup>*Innovation activity of enterprises 2012-2014*, Central Statistical Office.

<sup>39</sup>An innovation-active enterprise is an enterprise which placed at least one product or process innovation on the market in the analysed period or which implemented at least one innovative project that was interrupted or abandoned in that period (was not successfully completed), or that had not been completed by the end of that period (i.e. it continues).

**Chart 16. Share of innovation-active enterprises in 2014-2016 by section of the Polish Classification of Activities in manufacturing and service sector.**



Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the CSO data.

As in previous years, Polish enterprises tend to get involved in process innovation more often than in product innovation. In 2014-2016, 15.2% of industrial companies and 10.4% of service companies introduced process

innovation, while 12.4% and 6.9%, respectively, introduced product innovations. Both types of innovations were introduced by 9.0% of industrial companies and only by 3.7% of service companies.

Non-technological innovation, i.e. innovations related to organisation and marketing are much less popular, but at the same time their importance is rising. In the years 2014-2016 the larger percentage of industrial companies (9.5%) than service companies (7.6%) introduced organisational innovations which means an increase for industrial companies and a decline for service companies: in the years 2013-2015 organisational innovations were introduced 8.1% of both industrial and service companies. As far as marketing innovations are concerned, they were introduced by higher percentages of both industrial and service entities. In the same period marketing innovations were introduced by 9.2% industrial and 7.2% service entities.

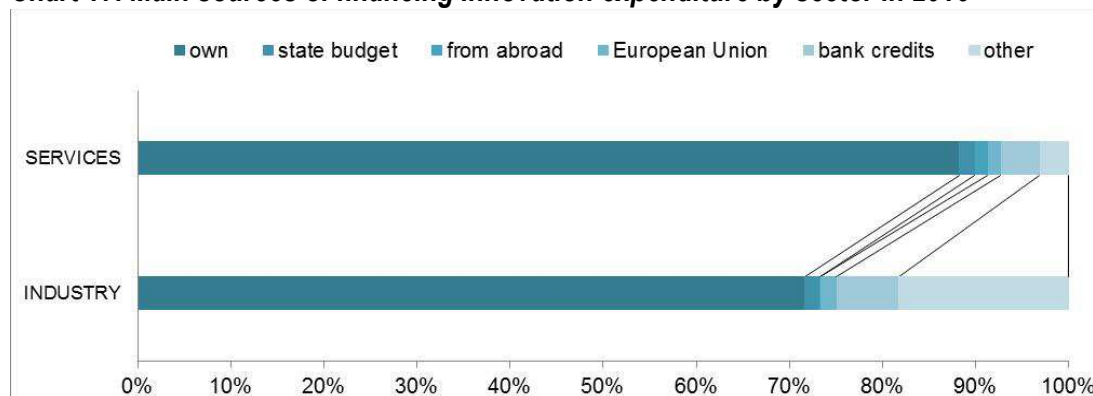
Along with the increase in indicators confirming more and more common involvement in innovative activities, the decline of the economic effectiveness indicator among industrial enterprises, i.e. the share of sales of innovative products is puzzling. In 2016 8.1% of net revenues from sales of industrial enterprises in total, i.e. by 1.4 p. p. less than in 2015, came from sales of new or significantly improved products. In services this indicator amounted to 3.9%, which means that it was 0.9 p. p. higher than in 2015. Exceptionally great importance of new or significantly improved products for generating revenues from sales was visible in the industry in the Dolnośląskie Voivodeship (14.2% in 2016). At the same time the last but one position of the Mazowieckie Voivodeship in this ranking (5.1%) is surprising but it should be noted that enterprises respondents gave a declarative response to this question. In the service sector the Podkarpackie Voivodeship (7.0%), as in previous years, took the first place. The most revenue from new or improved products are generated by: production of motor vehicles, trailers and semi-trailers (26.7%), electrical equipment manufacturing (17.1%), while in services these are telecommunications (23.7%) as well as scientific research and development work (22.0%).

Modern solutions in industry are most often implemented through purchases of machinery and equipment (49.4%), while 18.3% of innovation expenditure was allocated to R&D activities in 2016. In the service sector, investments in machinery represented 19.0%, while investments in R&D represented 41.0%. Another year in a row, R&D expenditure among industrial and service enterprises nominally rose from PLN 9.3 billion in 2015 to PLN 9.6 billion in 2016. Compared to industrial companies, service companies allocate a much larger part of expenditure related to innovation activity to purchasing software (9.2% compared to 1.6%) and to marketing of innovative products and services (6.2% compared to 1.4%). On the other hand, industrial companies spend more than service companies on investment in buildings, structures and land (26.7% compared to 5.8%).

In the years 2014-2016 32.8% of innovative-active industrial enterprises (compared to 29.1% in the years 2013-2015) and 26.9% of service enterprises (24.4% in the years 2013-2015) cooperated as part of innovative activity.

In 2016, as in the previous years, own funds prevailed as a source of financing innovation expenditure among industrial enterprises, while bank loans were the second source of financing. In the years 2014-2016 public financial support for innovative activity was received by a slightly lower percentage of entities than in the years 2013-2015, which should be associated with running out of financial sources of the previous framework and beginning calls for proposals under the 2014-2020 framework. These were 23.5% of innovative-active industrial enterprises (compared to 27.9% in the years 2012-2014) and 18.3% of service enterprises (compared to 19.8%).

**Chart 17. Main sources of financing innovation expenditure by sector in 2016**



Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the CSO data.

### 3.1.2. Technology readiness level of enterprises

Higher than the EU average share of industry in GDP with high annual average growth rate is a strength of the Polish economy. Due to exhaustion of the current sources of competitive advantages, based on labour costs, it is crucial to seek new advantages based on mechanisms of generating technology and knowledge. The qualitative change in the industry structure, guaranteeing an attractive position in global value chains and allowing for the achievement of higher value added is desired.

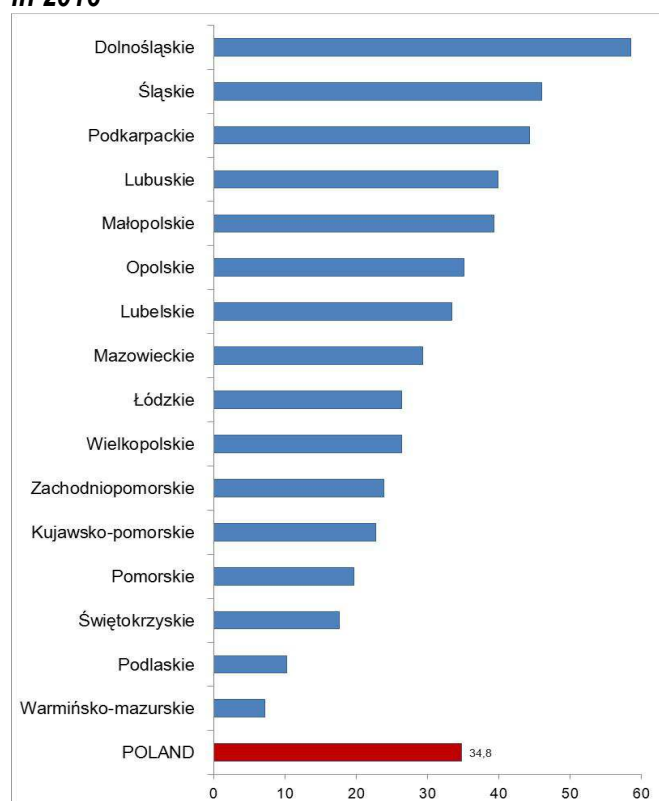
The high technology sector is an important segment of the Polish economy. At the same time enterprises of this sector are characterised by a higher level of innovativeness. In 2016 high technology enterprises represented 2.4% (no changes y/y), and medium-high technology enterprises accounted for 14.2% (an increase by 0.3 p. p.) of active manufacturing enterprises<sup>40</sup>. In 2016 the percentage of innovative enterprises among high technology enterprises grew by 7 p. p., to 44.7%. Furthermore, the share of R&D active companies rose by 2.4 p. p.: 26.8% carried out their own research and development works. Medium-high technology entities were characterised by similarly high innovative activity indicators: 34.2% were innovative and 17.3% incurred internal expenditure on R&D works.<sup>41</sup> In 2016 the share of net revenues from sales of products manufactured by high and medium-high enterprises increased by 0.6 p. p., reaching the level of 34.8%. At the same time there are significant regional differences in the advanced level of sold products, which are the result of, inter alia, concentration of industry or natural conditions of regions.

Among 16.1 million persons employed 9.4 million worked in services and 3.2 million in manufacturing. The share of persons employed in high and medium-high technology and knowledge-intensive activities amounted to 36.8% and was by 0.2 p. p. higher in comparison to 2015.

<sup>40</sup>With more than 9 persons employed.

<sup>41</sup>Science and technology in 2015, Central Statistical Office.

**Chart 18. Share of net revenues from sales of products of high and medium-high technology enterprises in net revenues from sales of products of manufacturing enterprises by voivodeship in 2016**



Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the CSO data.

The report of the studies Smart Industry Poland 2018 identified factors accompanying the implementation of the concept Industry 4.0 which support the innovativeness of the Polish SME sector. The subject of the study conducted in April 2018 included, inter alia: the level of incurred expenditure on technological solutions, types of technological solutions which were chosen by enterprises to be implemented, barriers to innovation implementation process, key criteria stimulating taking the decision on implementing new technologies, state support.

According to the above-mentioned report, small and medium-sized manufacturing enterprises allocated 14.5% of revenues on average for implementing innovative technologies. Small enterprises employing from 10 to 49 people allocate over 30% of their revenues for technology implementation, while micro-enterprises allocate 10-30% of their revenues for this purpose.

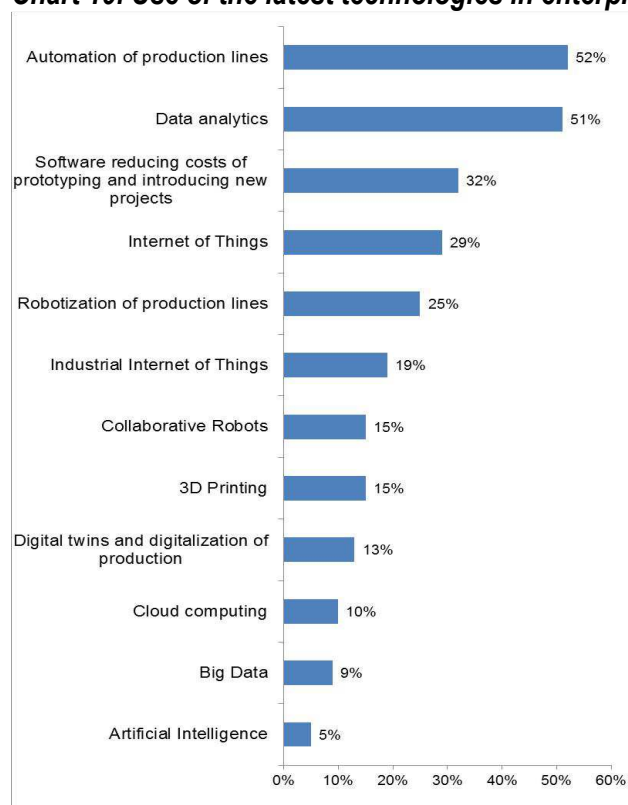
In accordance with the results of the study, automation of production lines (52% of enterprises), data analytics used in production processes (51% of enterprises), software reducing costs of prototyping and introducing new products (32% of enterprises) and Internet of Things (29% of enterprises) are the most often applied technologies which at the same time generated the increase in profits of enterprises to greatest extent. Artificial intelligence (5% of enterprises), Big Data (9% of enterprises) and cloud computing (10% of enterprises) are the least popular technologies in Polish SMEs. Furthermore, artificial intelligence was indicated as the most difficult to implement in the enterprise.

In Polish enterprises of SME sector the activity related to the adaptation of technology is limited by: lack of financial resources (almost 65% of indications) and lack of time (62% of indications). Lack of qualified staff (53% of indications) is the third major technological barrier to the development of small and medium-sized enterprises.

The need of reducing production costs (35% of indications), the need of gaining competitive advantage (22.6% of indications) and expectations of customers in relation to the increase in quality of available products (9.7% of indications) were main determinants of the SMEs decision on the introduction of innovation. In medium-sized enterprises employing from 50 to 250 employees the introduction of innovative solutions are expected to reduce the number of stoppages and defaults in the production process..

Tax incentives (80% of indications) and providing educational frameworks allowing for linking education of future staff to the needs of enterprises (70% of indications) are the most expected state support by Polish enterprises in introducing new technologies. The improved transparency in the current regulatory framework is the third important area indicated by 69% of entrepreneurs. They regard a relatively small role of public support in creating consortia of Polish enterprises of various sizes working on innovative projects (36% of indications).

**Chart 19. Use of the latest technologies in enterprises Smart Industry 2018.**



Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of Smart Industry 2018.

The Internet of Things is becoming common in Polish enterprises. According to the analyses of the Ministry of Entrepreneurship and Technology<sup>42</sup>, in H2 2017 25% of enterprises taking part in the survey declared the use of devices that communicated with each other via Internet, of which 18% were microenterprises, 35% accounted for small enterprises and 60% were medium-sized enterprises. Respondents most often used the Internet of Things in marketing and sales, followed by the management of buildings. The percentage of enterprises using Internet of Things was the highest in manufacturing industry (31%) and shipping services (28%).

<sup>42</sup>Development trends for micro-, small and medium-sized enterprises in H2 2017, Ministry of Entrepreneurship and Technology, EAD.



Favourable trends were observed in IT sector (including IT production and services). According to the CSO data, in 2017 the number of enterprises in IT sector rose by 11.4% and amounted to 2278, out of which 89.4% accounts for service enterprises (mostly IT services), others are production enterprises. Another year in a row the number of employees increased (by 6.2% in 2016), reaching the level of 227.4 thous. persons, which reflects the fast development of the sector and growing needs. The highest increase in the number of persons employed was observed in IT services (by 9.3%), while the decline was recorded in production.

In 2016 the revenues of enterprises from the IT sector constituted 5.1% of the revenues obtained by all production and services enterprises in Poland. The net revenues from sales in the whole telecommunications sector rose by 3.3%, reaching the level of PLN 143.4 billion in 2016. There was an increase in service entities (by 4.2%) and slight one among production entities (by 0.3%). Over ¾ of revenues are generated by IT services and IT services and wholesale become increasingly important year by year in their structure to the detriment of telecommunications services.<sup>43</sup>

IT exports grew another year in a row. In 2016 net revenues from the export sales rose by 4.3%, but in enterprises manufacturing IT products the increase was insignificant and amounted to 16.7% and in service enterprises 8.5%. The data concerning R&D expenditure also reflects the dynamic development of services. In 2016 95.1% (i.e. PLN 2,475.9 million) of expenditure on research and development activity in the IT sector were incurred by enterprises rendering services. In addition, the increase in expenditure y/y was significant and amounted to 44.9%.

### 3.1.3 Instruments supporting innovation/R&D sector

Entrepreneurs may use many instruments for the financing of innovative projects, and the Responsible Development Strategy extended this spectrum even more (Development of innovative companies pillar). Cohesive system of those instruments should encourage and award entrepreneurs taking up innovation activity. Support for such projects may be obtained from national, regional or EU programmes.

#### Support from the national budget

A tool supporting innovation are tax instruments included in the Act **on certain forms of support for innovation activity**. The objective of the Act is to increase competitiveness and innovativeness of the Polish economy through increased private sector expenditure for research and development and to improve management of public funds allocated to R&D. The Act has introduced the **status of the Research and Development Centre**. In accordance with the Act amended in 2018 the entrepreneur may obtain the status of the Research and Development Centre, having met three formal conditions:

- obtaining net revenues from sales of goods, products and financial operations for the previous financial year amounting to at least: (b) PLN 5 million - but 20% of net revenues compared to the total revenues must come from sales of own R&D services or (b) PLN 2.5 million - PLN 5 million, but 70% net revenues compared to the total revenues must come from sales of own R&D services ,
- applying accounting provisions,
- no arrears with payments of tax as well as social and health contributions.

The Minister of Entrepreneurship and Technology granted the R&DC status to 39 enterprises (as of 10 August 2018).

---

<sup>43</sup>Information society in Poland 2013-2017, CSO.

The fundamental instrument supporting innovativeness, introduced by the Act of **25 September 2015 amending certain acts in connection with supporting innovativeness** (Dz. U. of 2015, item 1767) is a R&D tax allowance. It consists in deduction of expenses incurred for R&D activity, referred to as “eligible expenses”, from the tax base. The catalogue of eligible expenses was determined. It includes R&D personnel work-related costs, materials and raw materials directly connected with R&D activity, expertise, opinions, the purchase of research results pursuant to contracts, using research equipment in R&D activity, the depreciation of the fixed assets as well as tangible and intangible assets. Furthermore, the Act introduced the possibility of deducting costs for R&D activities for 3 subsequent tax years. The level of introduced relief (in the form of determining of eligible costs compared to costs) initially (in 2016) amounted to 20% for SEMs and 10% for other entrepreneurs, but 30% for labour costs for all tax payers. The relief was extended by the Act of 9 November 2017 amending certain acts in order to improve legal framework of innovative activities (Dz. U., item 2201). This Act introduced a tax relief enabling to deduct 100% of eligible costs from the tax base for all entrepreneurs. Currently, entrepreneurs may include costs of research or development works to the tax deductible costs and additionally deduct the same costs from the tax base. The possibility of deducting R&D costs was extended to 6 tax years.

**Table 14. R&D tax relief - the amount of deduction/tax relief (2016-2018)**

Type of cost/type and size of the enterprise		2016	2017	2018
<i>Personnel (labour) costs (Regardless of the enterprise size)</i>		30%	50%	<ul style="list-style-type: none"> <li>• 100% for entrepreneurs which are not RDC</li> <li>• 150% for RDC</li> </ul>
<b>Remaining costs</b>	<b>Micro/small/medium-sized entrepreneur</b>	20%	50%	<ul style="list-style-type: none"> <li>• 100% for entrepreneurs which are not RDC</li> <li>• 150% for RDC (exception: large RDC 100% related to patents)</li> </ul>
	<i>Remaining enterprises (large enterprises)</i>	10%	30% (without patents)	

Source: Own elaboration of the Ministry of Entrepreneurship and Technology

### Support under Operational Programmes

EU funds are an important source of support for innovation of the Polish economy. The key national operational programme focusing on R&D is the **Smart Growth Operational Programme 2014-2020 (SG OP)**, adopted by the Council of Ministers on 8 January 2014 (allocation EUR 8.6 billion). The main objective of SG OP is to stimulate innovation and competitiveness of Polish economy, with increased R&D expenditure (in particular private). SG OP offers support for projects “from concept to market”, i.e. for the entire innovation process, from the stage of developing concepts for innovative products, services or technologies, through research, prototyping and pilot lines, up to commercialisation - investments related to offering of new products and services.

The programme is addressed to enterprises (SMEs in particular, scientific units and consortia of companies and scientific units).

SG OP focuses on four priority axes:

#### **1. Axis I. Support for R&D activity of enterprises**

The funding is granted for projects consisting in research and development activities undertaken by enterprises. Support is also provided to sectoral R&D programmes, i.e. research agendas proposed by a given sector (e.g. entities concentrated around a technology platform or in a cluster). Furthermore,

there are plans to implement support instruments with venture capital funds, which shall engage funds in financing of research and commercialisation of results, together with public entities. Calls for proposals are organised by National Centre for Research and Development.

## **2. Axis II. Support for the environment and capacity of enterprises for R&D&I activity**

Support is provided for creation or development of R&D infrastructure in enterprises, which is necessary to equip a research and development centre. Thanks to establishing of an innovation platform and brokerage services provided under such platform, it shall be possible to match companies supplying technologies with SMEs interested in implementation of new solutions. Furthermore, entities from the SME sector may receive co-financing of the cost of services facilitating innovation, provided by business environment institutions or scientific entities. The costs related to protection of industrial property in enterprises are also financed. Clusters with the highest innovation and competitiveness potential on a national scale, i.e. so called Key National Clusters may pursue co-financing of services related to internationalisation and promotion of technologically advanced products in international markets. Calls for proposals are organised by the Ministry of Economic Development and PARP.

## **3. Axis III. Support for innovation in enterprises**

Support is provided to increased activity of private investors (seed funds, venture capital funds, business angels) in R&D&I. Financing is also granted for services related to drafting documentation necessary to enter the Warsaw Stock Exchange (including New Connect, Catalyst etc.). The support for projects consisting in implementation of R&D results is provided solely to SMEs and is implemented with the use of subsidies and financial instruments (guarantees). Moreover, activities are undertaken in support of internationalisation of innovative enterprises (provision of access to consultancy and implementation of comprehensive promotion programmes for leading sectors of Polish economy and priority international markets). Calls for proposals are organised by PARP and BGK.

## **4. Axis IV. Increasing the research potential**

Financing is provided for scientific research and development efforts implemented by scientific and scientific-industrial consortia under strategic research programmes (combination of public and private funding under the so-called joint ventures), for regional research and development agendas (in line with regional smart specialisations) and for applied projects. Support in the area of modern research infrastructure of the science sector is limited to projects selected in a call for proposal and listed in the Polish Research Infrastructure Roadmap. Moreover, support is provided to International Research Agendas, i.e. new scientific entities established for implementation of high quality scientific research and development efforts by teams of recognised scientists from Poland and abroad. Programme funds allocated to increasing the potential of human resources shall be available to young scientists and research teams led by recognised scientists. Calls for proposals are organised by NCRD and National Information Processing Institute.

Sub-measure 1.1.1 Industrial research and development work implemented by enterprises (NCBR)	supporting R&D projects (covering industrial research and R&D works, or solely R&D works) implemented by enterprises (both SMEs and large enterprises)	821 contracts on co-financing of the total value of PLN 4.43 billion (20/08/2018)
Measure 2.1 Support for investments in R&D infrastructure of enterprises	supporting creation and development of R&D infrastructure of enterprises via investments in devices, equipment, technologies and other necessary infrastructure that serves research and development activity for devising innovative products and services.	339 contracts on co-financing of the total value of PLN 1.87 billion (20/08/2018)
Sub-measure 2.3.2 Innovation vouchers for SMEs (PARP)	stimulating cooperation between the science sector and the economy; the support is provided for implementation of projects including a purchase of a service from a scientific entity, consisting in development of a new or significantly improved product, service, manufacturing technology or a new design.	3 calls for proposals - recommendation for supporting 582 projects with the value of co-financing amounting to PLN 131.2 billion. The amount for co-financing of the projects submitted in a call for proposal 2018 is PLN 70 million.
Sub-measure 2.3.2 Innovation vouchers for SMEs - stage II investment(PARP)	co-financing of projects consisting in implementation of technological innovations developed by research units in stage I service in micro, small or medium-sized enterprises.	the amount for co-financing of the projects submitted as a part of a call for proposal lasting from 17.04.2018 to 4.01.2019 is PLN 70 million.
Sub-measure 3.2.1 Research for the market (PARP)	increasing innovativeness and competitiveness of small and medium-sized enterprises through provision of funds for implementation of research projects; a nature of an investment, consisting in implementation of R&D results, ending with introduction of new or substantially improved products and services to the market; also experimental development works as well as consultancy.	196 contracts on co-financing of the total value of PLN 2.26 billion (20/08/2018)
Sub-measure 2.3.3 Internationalisation of Key National Clusters (PARP).	increasing internationalisation of enterprises operating within the Key National Clusters; co-financing of consultancy services to support placing the offer of a cluster on the international markets, with special reference to technologically advanced products.	3 calls for proposals: 4.11-30.12.2016 - 9 contracts for the amount of PLN 27.03 million 16.06.2017-31.01.2018 - 3 contracts for the amount of PLN 11.6 million. 27.02-30.06.2018 2 projects for the total amount of PLN 10.57 million. 3 applications for funding (as of 9.07.2018) for the amount of PLN 16.5 million are being assessed.
Sub-measure 2.3.1 <b>Pro-innovation services of business environment institutions for enterprises</b>	supporting SMEs in the process of developing and implementing product or process technology innovations in areas of National Smart Specialisations (NSS) by co-financing pro-innovative services provided by accredited business environment institutions (BEI).	4 calls for proposals - recommendation for supporting 190 projects with the value of co-financing amounting to PLN 96.6 million
Sub-measure 2.3.4 - Protection of industrial property	supporting enterprises of SME sector in the process of obtaining protection of industrial property under the national, regional, EU or international procedure, excluding an application filed in the Patent Office of the Republic of Poland in order to obtain the protection only on the territory of Poland and its implementation.	4 calls for proposals - recommendation for supporting 125 projects with the value of co-financing amounting to PLN 26.5 million.

Under **Measure 1.2 Sectoral R&D programmes** (NCRD), entities associating enterprises, scientific units etc. in a given industry (e.g. chambers of commerce, industry-related associations, technological platforms) may submit proposals to the Centre with regard to development of Programmes dedicated to the needs of specific sectors of the economy. Beneficiaries of sectoral programmes may be enterprises or consortia of entrepreneurs. Sectoral programmes apply a bottom-up approach, and thus they pass the initiative to entities operating on a given market, in particular SMEs.

To date, NCRD has announced 23 calls for proposals aiming at increasing innovativeness and competitiveness of the Polish industry: 1 INNOLOT call for proposals (innovative aviation), 1 INNOMED call for proposals (the programme aimed at innovative medicine), 2 INNOCHEM call for proposal (chemical industry), 1 INNOTEXTILE call for proposals (textile sector), 2 INNOSTAL calls for proposals (steel industry), 2 GAMEINN calls for proposals (sector of video game manufacturers in the global market), 1 INNOSBZ call for proposals (sector of unmanned aircraft systems), 1 INNOTABOR call for proposals (sector of rolling stock industry), 2 IUSER calls for proposals (sector of producers manufacturing smart devices and systems for energy generation and management of systems and elements of scattered energetics), 2 PBSE calls for proposals (electrical power engineering sector), 2 INNONEUROPHARM calls for proposals (pharmaceutical sector), 1 INNOWACYJNY RECYKLING call for proposals (mineral resources and wood recycling sector), 1 WOODINN call for proposals (forestry, timber and furniture sector), 1 INNOSHIP call for proposals (shipbuilding sector), 2 INNOMOTO calls for proposals (automotive sector). As of 12 July 2018 333 co-financing agreements were concluded.

In the light of expedience and necessity to support young innovative enterprises, in June 2016 the **Start In Poland** programme was launched, which includes a number of initiatives of the Polish government addressed to start-ups locating their business in Poland. The programme's objective is to favourable conditions for operation of start-ups at each stage of their development, beginning with the phase of incubation and acceleration, through development and international expansion. It is also strictly in line with other measures, mainly legislative ones, aimed at improving the conditions of operation for innovative companies or their international expansion.

Budget of the programme amounts to nearly PLN 3 billion. The programme will accelerate the comprehensive development of the ecosystem fostering not only start-up development, but also sharing knowledge and intellectual property, establishing long-term cooperation between companies of various sizes, as well as attracting talents from abroad.

Respective components are at different stages of implementation. The acceleration component **Scaleup**, announced the earliest (June 2016) and managed by PARP, has been already finished. Its purpose was to connect the potential of startups with experience, infrastructure and resources of corporations, including the State Treasury companies. As a result, start-ups had an opportunity to gain experience in networking and cooperation with large companies, as well as to attract business partners and potential investors. The outcome of the programme would be commercialisation of innovative solutions suggested by start-ups, including products and services responding to the identified needs of large enterprises. From among 61 applications 10 accelerators, with whom agreements were concluded for a total amount of PLN 57.8 million, were selected. The selected accelerators collaborated with 666 large enterprises from various industries (inter alia, energy, fintech, food, health care, automotive, engineering, transport industries). 273 startups had the chance to grow. The number of declared implementations in large enterprises exceeds 150.

After the success of the acceleration programme Scale Up the decision was made to continue this form of supporting SMEs through the development of a component Acceleration Programmes 2.5 SG OP. The objective of the acceleration programme is to support startups participating in the programme with dedicated services supporting their development and grants designate for the development of products or services, including for the adjustment technology to the needs of recipients. Accelerators selected in

the call for proposals will be obliged to select minimum of 25% startups operating in the indicated areas: Space technologies, Fintech, Artificial Intelligence (AI), Smart plastics, *Industrial Internet of Things* (IIoT)/ *Augmented reality* (AR), Smart city, Cybersecurity, Bioeconomy, Pharmaceutical biotechnology. The competition was announced on 13 June 2018, and the call for applications lasted from 17 July 2018 to 4 September 2018.

**Elektro ScaleUp** is another Acceleration Programme. It aims at increasing project supply in the area of electromobility through the assistance for micro- or small entrepreneurs in obtaining the first/breakthrough order from a business customer from the electromobility industry. The call for applications to this programme finished on 5 April 2018. 3 applications for a total amount of PLN 30 million were submitted.

Start in Poland also includes capital investments of **Venture Capital** funds. Four investment components are managed by PFR Ventures. They include Starter, Biznest, Open Innovations and KOFFI actions. On 15 May 2017, the first competition was launched for capital funds (management groups). It will be implementing the Starter component with PFR Ventures. Under this component, capital investments in start-ups are focused on the early development stage of enterprises (pre-seed, seed). They will identify the ideas based on innovative solutions and they will verify the market potential of the presented concepts. So far three calls for proposals for capital funds (management groups) which will be implementing the Starter component have been carried out (the last one in September 2018).

As part of the Biznest component 3 calls for proposals for Financial intermediaries were held. Their task will be to select Business Angels and startups in order to make co-investment on the basis of refundable financing provided by PFR Biznest FIZ, the Managing Entity and private funds of Business Angels. So far the agreement has been signed with one investment fund.

The KOFFI component is dedicated to SMEs in the growth, development/expansion phase, looking for financing for implementation of innovative projects with a high market growth potential. Under the instrument the continued call for proposals is being held. In the case of 2 proposals a substantive assessment has been finished and negotiation of agreements is in progress, while 7 proposals are at the assessment stage.

PFR Open Innovations FIZ was created with the idea of enterprise in the phase of technological development. It will support entities from the SME sector at the stage of technological acceleration, development and ultimately implementation of technological innovations and R&D projects obtained in the formula of open innovations with a high market potential. Refundable financing with the allocation of PLN 421 million will be granted through venture capital funds involving also money of private investors (e.g. Industry enterprises). As part of PFR Open Innovations FIZ the envisaged size of the investment in an innovative enterprise will amount from PLN 5 million to PLN 60 million. So far 2 agreements have been signed.

In response to the need for managing innovative ideas of individual inventors (to date unable to use the financial support), in 2016 a **pilot Good Idea Programme** was developed. It is aimed at providing support for authors of innovative solutions applying as natural persons who made the invention in conditions or in the scope not covered by the employment contract, or who were not bound by other legal relationships requiring that the intellectual property rights to their work belong to other entities. Inventors will gain access to services necessary for the verification of the commercial usefulness of the idea and the possibility to prepare a comprehensive commercial offer for investors concerning the implementation of the innovative solution. Until the end of June 2018 640 ideas were submitted to the programme. The winning projects (36) passed the four-step verification during which originators presented innovativeness of ideas, proved that they have proprietary rights, defined recipients and determined chances for commercialisation of their solutions.

In order to attract foreign talents to Poland, the programme **Poland Prize** was prepared. It aims at encouraging foreigners to establish startups in Poland and develop their activities. The support covers, inter alia, facilitation coming to Poland, residing there and establishing economic activity/company, trainings, consultancy, networking, financial support (grant) for the development of the product. The programme is targeted at startups with a high technological potential, in which shares will be owned by a person who does not hold Polish citizenship as well as those in which at least one member of the management is a foreigner. The programme Poland Prize was announced on 8 February 2018. As part of the competition, 6 programme operators were selected, thanks to which the recruitment of minimum 102 startup teams is envisaged. Budget of the programme amounts to nearly PLN 30 million. Accelerators will start their operating activity from September 2018.

As far as **Start-up Platforms for New Ideas** are concerned, they target at entrepreneurs from Eastern Poland. The first stage of support (sub-measure 1.1.1 OP EP) is implemented by establishing start-up Platforms aiming at creating for their recipients favourable conditions promoting the development of new innovative business ideas and their implementation in Eastern Poland in the form of startup enterprises. Start-up Platforms will be prepared and managed by animators - innovation centres operating in Eastern Poland. A condition necessary for the implementation of start-up platforms will be the establishment of partnership around them with universities, experienced entrepreneurs, VC funds, business angels or other institutions from IOB sector offering their specialised services depending on the needs of final recipients (originators). These services will be rendered as part of the incubation process, during which entrepreneurs must develop a business model and create MVP. The allocation amounts to PLN 270 million and the call for applications was finished in June 2018.

Originators who successfully complete incubation in start-up platforms and establish an enterprise will be directed to the sub-measure 1.1.2 OP EP Development of start-ups in Eastern Poland. Enterprises registered in Eastern Poland which have a developed business model and MVP will be able to apply for financial support. They will be able to assign the obtained funds for the further development of the product and the expansion of the enterprise. The support will be provided in the form of a non-repayable grant up to a maximum of PLN 800 thous. Entrepreneurs have to make their own contribution corresponding to 15% of eligible costs of the project.

#### Support under international programmes

The activity of Polish centres within the Enterprise Europe Network (EEN)<sup>44</sup> is an important component of supporting competitiveness aiming at increasing the level of the innovativeness and internationalisation of Polish small and medium-sized enterprises (SME). Furthermore, it contributes to the improvement of conditions for conducting economic activity and promotion of an entrepreneurial culture. At present, in more than 60 countries across the world, around 600 centres of the network operate with 3,000 experts. 30 EEN centres are located in Poland. The network offer small and medium-sized enterprises comprehensive services which are to help enterprises fully develop their potential and innovative capabilities. Furthermore, the Enterprise Europe Network is an intermediary enabling the European Union institutions to obtain better knowledge about SME needs.

Under the current multi-annual Programme Participation of Poland in the Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) and financial instruments of EU programmes supporting competitiveness of enterprises, in 2015-2021\*, since 2015 Polish centres of Enterprise Europe Network:

---

<sup>44</sup>Contact details of Polish centres of the Enterprise Europe Network are on the internet website [www.een.org.pl](http://www.een.org.pl).

- have provided support to more than 37.5 thous. small and medium-sized enterprises under network services, excluding services provided online;
- have organised more than 8,000 meetings with the participation of Polish enterprises during brokerage events and international missions, in which over 2,000 small and medium-sized enterprises took part;
- have concluded 743 partner business and technology agreements;
- have organised a number of local and regional events for more than 25 thous. participants;
- have provided support to over 1.3 million users under network services provided online (including website users).

EEN services provide SMEs with an opportunity to adjust their products and services to the requirements of the Common Market. They also facilitate initiating cooperation with enterprises from the EU and from outside of the Common Market. Furthermore, the network supports participation of SMEs in framework programmes and consultations at the European Commission level.

Enterprise Europe Network centres also participate in the provision of services financed under the

Horizon 2020 programme in the area of:

- consultancy support in the course of project implementation for companies which received co-financing under the SME Instrument;
- consultancy services aimed at increasing the capacity to manage innovations in SMEs.

EEN services provide SMEs with an opportunity to adjust their products and services to the requirements of the Common Market. They also facilitate initiating cooperation with enterprises from the EU and from outside of the Common Market. Furthermore, the network supports participation of SMEs in framework programmes and consultations at the European Commission level.

Until the end of 2019 the Polish Agency for Enterprise Development will be implementing the industry programme of the Promotion of IT/ICT sector financed from the funds of the Operational Programme Innovative Development. Its objective is to present the Polish offer of ITC products and services among foreign partners as well as the promotion of Poland as a country manufacturing advanced technologies and services, offering interesting and innovative solutions, having a potential to develop in the international arena.

All in all, as part of the programme implementation, PARP will hold Polish information and promotion stands at 19 leading trade fairs and foreign conferences - including at events focused on start-ups - in Brazil, Japan, South Korea, USA, United Arab Emirates, Israel, Germany, Austria, Portugal and Spain. In 2017 PARP held 7 information and promotion stands at international trade fairs and conferences for the IT/ICT industry, during which about 200 Polish enterprises promoted their offer. Furthermore, Polish national stand was organised at the MEDICA trade fairs (13-16.11.2017 Dusseldorf, Germany) on which the offer of 23 enterprises from the industry of medical technologies was presented. The report on the ITC sector in Poland, containing summaries in languages of the countries in which promotion stands are organised, was published.

On 19 November 2012 Poland joined the European Space Agency (ESA), an international agency with the objective to expand and integrate European high technology and innovation industry. As a result, for 4 years now Polish companies have been becoming increasingly important and recognised partners in European space programmes. Poland participates in obligatory and optional programmes of the Agency. Until the end of 2019, Polish entities will be covered by a special ESA support programme (the so-called Polish Industry Incentive Scheme - PLIIS), with the objective to adjust their potential to participate in the Agency's programmes and projects. Duration of PLIIS has been extended by 2 years as a result of successful negotiations of the Polish Delegation to ESA with the European Space Agency. The extension of that period means that 45% of the contribution paid by Poland for obligatory programmes will be allocated solely to contracts awarded to Polish companies and scientific and



research institutes. There is a continuous call for proposals open under PLIIS (with assessments every three months), where companies have an opportunity to submit their proprietary ideas which are in line with ESA's activities. By the end of 2017 in PLIIS open call for proposals, ESA-PL Task Force recommended 148 projects for co-financing under PLIIS amounting to over EUR 30 million in total.

Enterprises may apply for the remaining part of the Polish contribution in accordance with the general tender rules and procedures of ESA. The fundamental principle of the industrial policy of the European Space Agency is to commission tasks, to the extent possible, to European industry, and to award contracts in a manner which would ensure that companies from a given country get orders in proportion to that country's contribution to ESA budget (it is called the principle of geographical return). Polish entrepreneurs participate in ten optional programmes, where they compete with all potential competitors in line with principles applicable to all countries, irrespective of their ESA tenure and the amount of contribution. In 2016, Polish companies have been awarded financial support in open ESA tenders amounting to over EUR 18 million, which gives over EUR 42.5 million in total and indicates that the level of absorption of funds is growing fast (compared to the previous years). ESA membership and the related participation of Polish entrepreneurs and scientists in projects financed by the Agency increase their involvement in the development of breakthrough technologies. The space industry is the source of many innovations, also in other sectors of industry and services, and its impact on global economy and society continues to grow. Technologies generated by the space industry can be applied in everyday life, e.g. in telecommunications, meteorology, satellite navigation, crisis management, precision agriculture etc.

## **3.2 Internationalisation of operations**

### **3.2.1. Export economy**

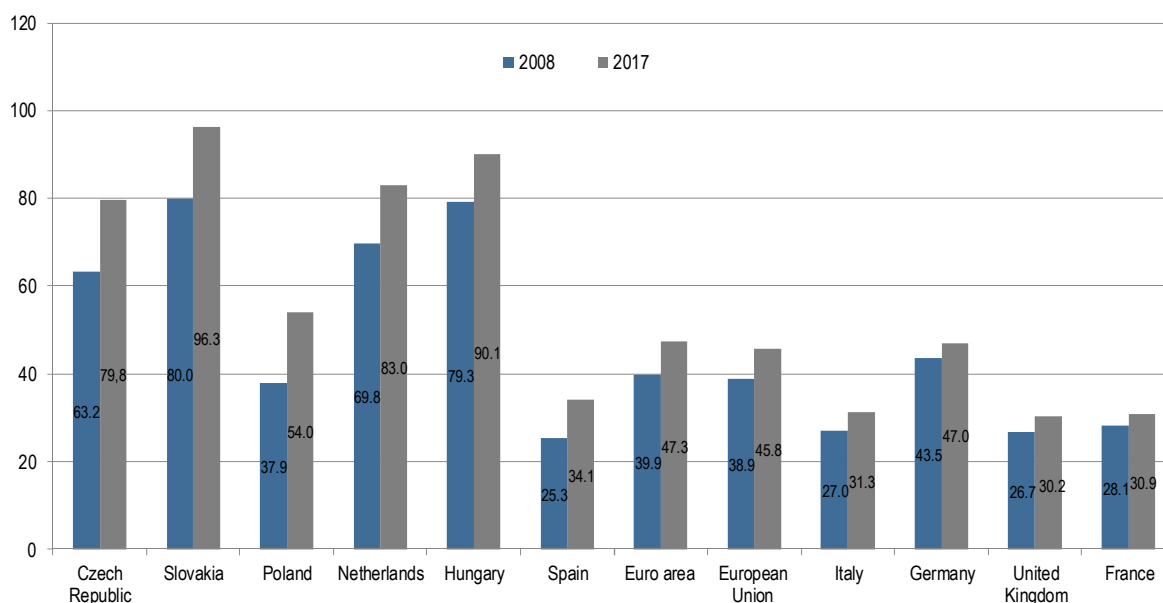
Poland is an open economy which increasingly engages in the international division of labour and the internalisation process. In Poland this process took a significant step forward along with the beginning of the transformation and it showed up in accelerated integration with the global economy, in particular in the area of foreign trade and the inflow of foreign direct investments.

The internalisation level of the Polish economy is different depending on the evaluated indicator. Analysing the share of exports in GDP, our economy compares favourably, also much better, with the majority of EU countries. In 2017 the relation of goods to GDP amounted to almost 43%<sup>45</sup>, i.e. it was 12 p.p. higher than in 2008. With the inclusion of services, this relation reached 54%, which means a rise by 16 p.p. during the last 10 years. This was an increase 2.3 times faster than the average for the entire EU. At the same time it should be noted that the exports/GDP ratio is the highest in relatively small economies (e.g. Hungary, Slovakia) – which are much stronger involved in the international trade due to smaller internal market.

---

<sup>45</sup>Eurostat data.

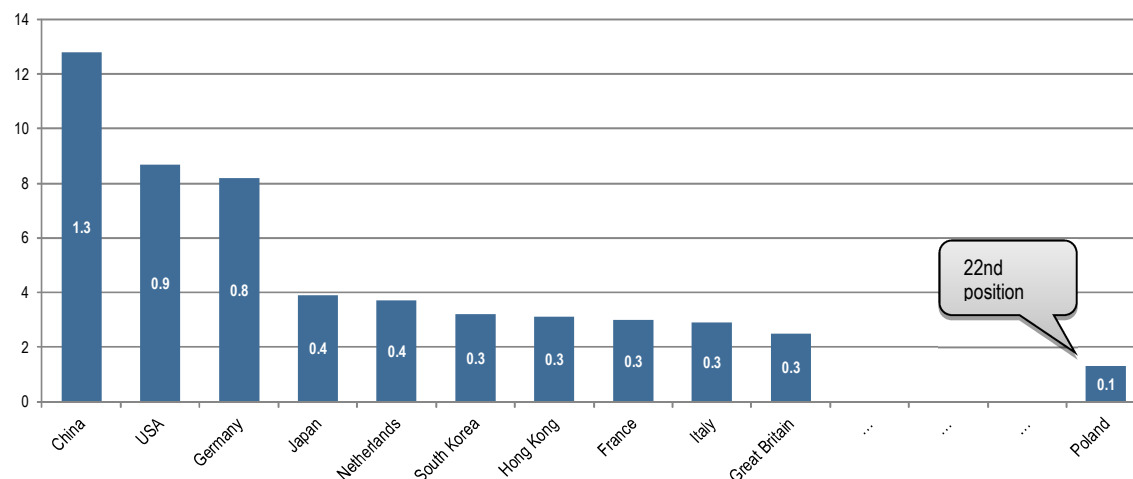
**Chart 20. Exports of goods and services to GDP ratio for selected EU countries (%)**



Source: Prepared by EAD of the Ministry of Entrepreneurship and Technology on the basis of the Eurostat data, for Spain, France and the Netherlands preliminary data for 2017.

A significant growth of the exports to GDP ratio was possible thanks to the dynamic increase in our exports in recent years, significantly above the global growth. In the years 2008-2017 the annual average growth rate of the Polish exports of goods (in terms of dollar) amounted to 5.9% compared to 3.3% on a global scale<sup>46</sup>. This resulted in Poland's strengthening on the list of the most important world exporters - during ten years Poland jumped 6 places to 22nd in 2017 (1.3% of the share in global trade).

**Chart 21. Global exporters of goods in 2017 (shares in %)**



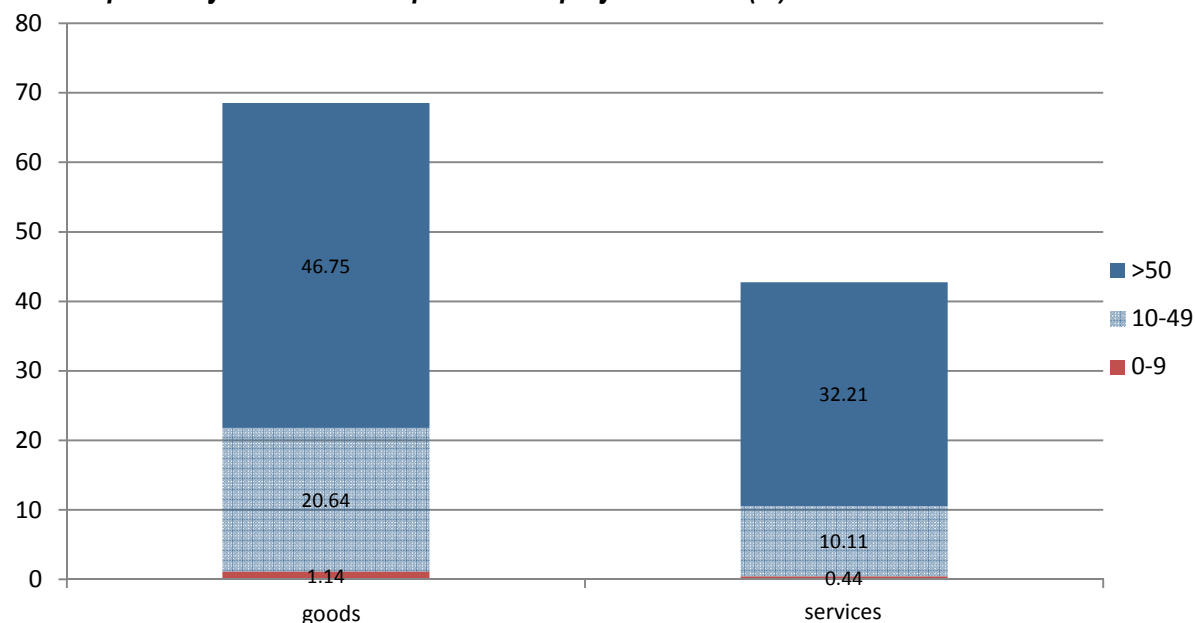
Source: Prepared by EAD of the Ministry of Entrepreneurship and Technology on the basis of the World Trade Organisation data.

The number of entities getting involved in the international trade is another measurement of the internationalisation level. Unfortunately, in this respect our market looks much worse, at the same time reaching indicators below the EU average. This partly results from the high fragmentation of domestic

<sup>46</sup>Data of the World Trade Organisation.

enterprises. Micro-enterprises usually focus on activity on the internal market. In 2016 only 2% of all domestic entities sold their goods abroad and 1% was involved in exports of services<sup>47</sup>. In Poland the foreign expansion mostly accounts for the share of larger enterprises - in 2016 about 47% of enterprises employing more than 50 persons sold goods abroad and 32% - services.

**Chart 22. Percentage of Polish enterprises engaged in exports of goods and services in groups of enterprises by the number of persons employed in 2016 (%)**



Source: Prepared by EAD of the Ministry of Entrepreneurship and Technology on the basis of the CSO data.

The insufficient geographical diversification of their activity remains the weakness of the international involvement of enterprises. In 2017 80% of the total Polish exports went to the European Union, including to Germany (27.5%), the Czech Republic and Great Britain (6.4% each). On the list of 10 most important recipients of the goods from Poland in 2017 there are only two non-EU markets, i.e. Russia (on the 7th position with the share of 3%) and USA (on the 10th position with the share of 2.7%). Such a strong concentration on the EU country markets causes that the results of exports of our enterprises largely depend on economic fluctuations of EU economies. Furthermore, it means that our companies do not exploit the potential of prospective Asian, African and American markets which often experience much higher growth rates of GDP and trade flows than EU.

According to the Eurostat data, in 2016 only 30% of all export enterprises sold their goods on non-EU markets. Traditionally, the largest percentage of such enterprises was recorded in the case of large entities (employing more than 250 persons) - 80% of them sold their goods also beyond the UE and the smallest percentage was among micro-enterprises - only 24%. As far as EU countries are concerned, only 4 countries have worse results than Poland. These are: Slovenia, Latvia, the Netherlands, Hungary and Slovakia<sup>48</sup>.

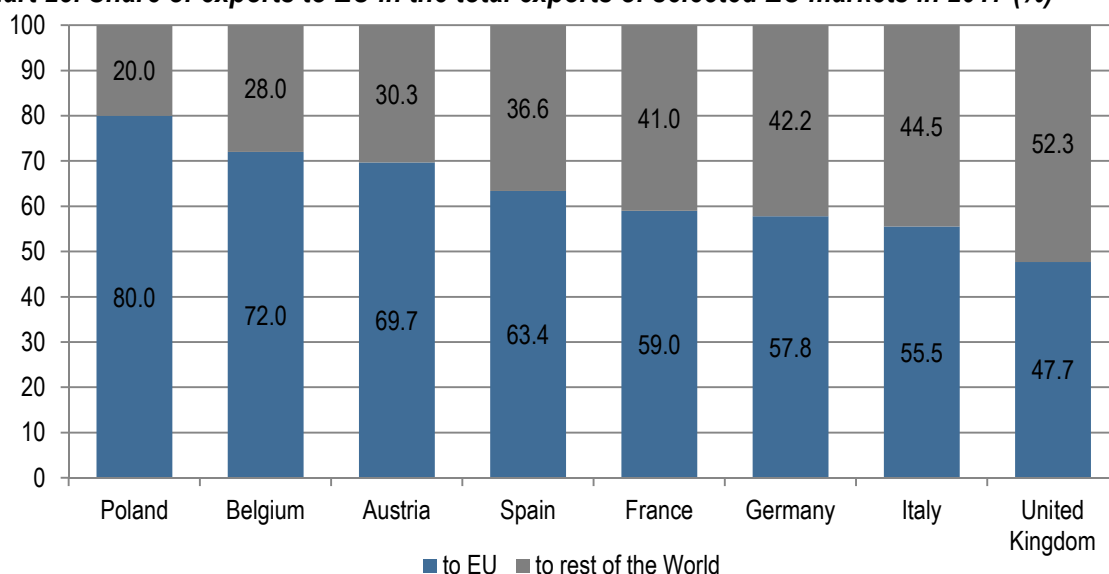
The diversification of exports geographical directions is of such importance that the dynamically increasing exports to the EU cannot be maintained in the long term. The EU market is large and consumers relatively rich but its capacity will not rise indefinitely. Irrespective of the significance of the

<sup>47</sup>CSO data. The share of exporters in the total number of active domestic entities which hold REGON number and submit SAD and INTRASTAT report.

<sup>48</sup> No data for the Czech Republic, Estonia, Luxembourg, Malta and Finland.

EU Member States for Polish trade, Poland should seek to intensify the expansion of our companies to non-European markets, as highly developed EU countries, such as e.g.: Germany, France or Great Britain.

**Chart 23. Share of exports to EU in the total exports of selected EU markets in 2017 (%)**



Source: Prepared by EAD of the Ministry of Entrepreneurship and Technology on the basis of the ITC preliminary data, the CSO data for Poland.

In the age of seemingly conflicting trends, i.e. the simultaneous progressing globalisation, digitalisation, but also the fragmentation of production, when a very large part of the global trade is implemented as part of regional or global value chains, the internationalisation itself is, as a rule, a natural phenomenon and is not such a challenge any more. However, the appropriate involvement in the international division of labour in order to ensure the highest possible benefits is a challenge for particular economies. Only the participation in global value chains on preliminary or final positions where the highest value added is generated, allows for achieving this objective. These activities are implemented by highly developed rich countries with a well-developed scientific and research facilities and know-how, while the position of Polish producers and exporters is focused mainly on the middle links of these chains, which is accompanied by the high import intensity of production and exports. This results from, inter alia, a relatively low share of high-tech products in the Polish exports estimated in 2017 at the level of 8.6% (at the same time intermediate goods, including components, parts and accessories account for almost a half of our exports). Furthermore, competing on foreign markets by means of low labour costs and not high-tech products does not bring such effects as it did years ago. A prerequisite for making progress by our enterprises in this area is the effective innovative activity targeted at creating modern products and services as well as constant search for new solutions which respond to changing needs of customers.

### 3.2.2 Foreign direct investments in Poland, including Polish FDI

Global FDI transactions in the years 2016-2017 were strongly influenced by economic and geopolitical turmoil (inter alia, parliamentary elections in Germany, presidential elections in France, preparation for Brexit and the US trade policy).

According to UNCTAD data, global FDI dropped by 23%, to USD 1.43 trillion from USD 1.87 trillion in 2016. FDI in developed economies rapidly grew by 37%, to USD 712 billion in comparison to developing economies in which FDI in 2017 remained at the same level after the decline by 10% in 2016 and amounted to USD 671 billion. Among 32 European countries, 18 reported a drop in FDI. Poland followed that trend. Forecasts concerning global FDI in 2018 show a slight growth - according to the

UNCTAD estimates they are expected to rise up to USD 1.45-1.57 billion. However, geopolitical risk may have a negative impact on the possibility to restore FDI flows to pre-crisis levels.

In 2016 the value of capital invested in the form of FDI<sup>49</sup> in Poland amounted to EUR 12.6 billion compared to EUR 13.8 billion in 2015. The most capital was invested in Poland by entities from the European Union countries (EUR 11.6 billion). The largest investors in Poland included companies from: the Netherlands (EUR 4.6 billion), Germany (EUR 3.1 billion) and Luxembourg (EUR 2.0 billion). Most funds under FDI flowed to the service sector (EUR 8.5 billion), of which EUR 2.4 billion to professional, scientific and technical activities. A total of EUR 3.6 billion flowed to manufacturing. Manufacture of motor vehicles, trailers, semitrailers and other transport equipment was the most attractive for foreign capital (nearly EUR 1.3 billion).

In aggregate terms, out of the total amount of EUR 176.0 billion invested in Poland by the end of 2016, the largest share of the capital came from the European Union - 92.2%. The highest liabilities are towards investors from: the Netherlands (EUR 33.9 billion), Germany (EUR 23.5 billion) and France (EUR 17.8 billion).

By the end of 2016, foreign companies invested most funds in services (EUR 105.7 billion) - including financial and insurance activities (EUR 33.4 billion); wholesale and retail trade; vehicle repair (EUR 25.8 billion), as well as professional, scientific and technical activities (EUR 14.6 billion). Investments in services are characterised by a more dynamic aggregate increase than in the case of other sectors. This is proved e.g. by a systematic increase in the number of service centres in Poland and the related employment (by about 13% between Q1 2016 and Q1 2018). The majority of new jobs were generated by foreign centres (87%).<sup>50</sup>

According to UNCTAD estimates, USD 6.4 billion flowed to Poland in the form of FDI in 2017. It is worse by half than the year before. This decline was a consequence of two phenomena: repolonisation and repayment of foreign credits, but not the deterioration of investors' mood.<sup>51</sup>

Over the past decade, on a yearly average over USD 12.0 billion in direct foreign investments has been flowing into Poland. The continued FDI inflow at a stable level exceeding USD 10 billion - with a temporary limitation of inflow of FDI to Poland in 2013 reflecting the weakening sentiments of investors on the global scale - proved Poland's strong position as an attractive location for foreign capital. However, the Polish economy shows less dependence on FDI than other countries in the region and at the same time higher dependence than France, Germany or Italy. FDI inflow is an important support for domestic investments - it does not show significant fluctuations in time and remains below 15%.

---

<sup>49</sup>NBP on the basis of the data included in the annual report. All data in this report is presented in EUR, which required exchange rate conversions. For the transaction data, values were converted at the annual average rate, while for liabilities, at the rate as of 31 December of a given year.

<sup>50</sup>ABSL, Modern business service sector in Poland 2018.

<sup>51</sup>UNCTAD, World Investment Report 2018.

**Table 15. FDI resources in relation to GDP and FDI inflow in relation to the value of gross fixed capital formation in selected EU Member States and on the global level**

	FDI/GDP(%)						FDI/Gross fixed capital formation (%)					
	2000	2013	2014	2015	2016	2017	2000	2013	2014	2015	2016	2017
Czech Republic	35.2	64.0	58.5	63.0	63.1	78.3	26.4	6.9	10.5	1.0	20.7	15.3
<b>Poland</b>	19.5	43.7	38.8	39.0	39.8	48.5	23.5	3.7	13.3	16.0	16.0	7.0
Slovakia	33.7	58.9	49.3	52.7	48.9	58.4	48.2	- 3.0	- 2.5	0.5	-1.6	12.5
France	13.4	27.1	24.6	28.4	28.6	36.1	9.4	5.5	0.4	8.7	6.6	9.3
Germany	24.1	25.8	21.9	23.0	22.7	27.2	44.1	2.1	0.5	5.0	2.4	5.1
Italy	10.7	17.1	16.4	18.6	18.8	22.9	5.7	6.6	6.4	6.4	7.1	5.4
Great Britain	26.8	55.6	54.2	49.2	56.1	62.6	38.7	11.8	9.0	6.7	44.8	3.7
EU	24.6	45.4	42.3	51.6	52.6	60.1	31.3	9.7	7.1	16.2	16.2	9.4
World	21.4	31.7	31.5	34.1	36.3	40.4	16.2	7.7	6.8	10.4	10.1	7.4

Source: EADof the Ministry of Entrepreneurship and Technology on the basis of the UNCTAD data; World Investment Report 2018.

According to UNCTAD data, in 2017 India, China and the USA, the world's major recipients of FDI, had the largest share in foreign capital distribution. Poland's share in the announced *greenfield* projects fluctuated around 2.7%, and their number reached 429.

On the other hand, according to EY<sup>52</sup> data, in 2017, 197 new FDI projects were announced in Poland (compared to 256 in the previous year), which gave Poland the 9th position in this category. These investments will translate into 24 thous. jobs and 5th position of Poland in the entire EU.

Foreign expansion in the form of FDI is increasingly being implemented also by Polish investors. Still, a small percentage of companies choose foreign expansion other than exports. Investments abroad are usually made by large companies seeking cheaper resources or new production technologies, or development of distribution networks. Poland cannot boast too many so-called born globals, or global brands. Many companies have succeeded on foreign markets, often operating in niche markets and effectively managing them.

In 2016, according to the National Bank of Poland data, net value of Polish foreign direct investment amounted to EUR 7.3 billion and was higher in comparison to 2015 when it amounted to EUR 4.5 billion<sup>53</sup>. Among the geographical destinations of expansion of Polish companies in 2016, the highest value of investments in shares was observed for investments in Luxembourg (EUR 4.3 billion). As of the end of 2016, receivables of Polish foreign investors amounted to less than EUR 27.7 billion, i.e. they were higher compared to almost EUR 25.2 billion in 2015. However, compared to 2004, they increased by more than 40 times. Therefore, Poland is, alongside Cyprus, one of the leaders in terms of the accumulated value of FDI located outside the country among EU Member States that joined the Community after 2004.

The results of studies carried out by the Polish Central Statistical Office concerning the activity of entities holding shares in entities seated abroad indicate that the activity of Polish enterprises abroad has increased. In terms of geographical reach, subsidiaries were located in 117 countries, of which 63.1% in the EU. In terms of respective countries, entities registered in the territories of Germany (14.4%), the Czech Republic (7.4%), Ukraine (7.4%) and Russia (6.3%) prevailed. Polish enterprises

<sup>52</sup>EY European Attractiveness Survey (EAS); The change in methodology in the current EAS edition hinders the comparison of trends in Poland on an annual basis. Evaluation of investment activities should also take into consideration other dimensions of this process, in particular the value the Polish Information and Foreign Investment Agency (PAIH) projects included in the EAS results for Poland which rose in 2017 in comparison to 2016.

<sup>53</sup>Excluding transactions of special purpose entities.

decide to increase the range of internationalisation by implementing *greenfield* investment projects also in geographically distant regions: in Asia, Africa or the Americas.

### 3.2.3. System and instruments supporting internationalisation

The actions taken by the Ministry of Entrepreneurship and Technology (previously: the Ministry of Economic Development) are focused on supporting the internationalisation of enterprises, building their competitiveness and creating a strong brand of Poland in the world. The aim is to initiate closer ties with international markets by expanding the number of participants in international exchange and developing more advanced forms of cooperation with foreign countries, as well as increasing exports of high technology goods.

The Ministry of Development has changed the architecture of the system of entities supporting the internationalisation of the Polish economy. Nowadays it can be affirmed that it achieved the target state but some mechanisms have not been fully made operable yet. The basic operating entity of the system is the Polish Development Fund Group consisting of Polski Fundusz Rozwoju S.A. (PFR), Korporacja Ubezpieczeń Kredytów Eksportowych S.A. (KUKE), Bank Gospodarstwa Krajowego (BGK), Industrial Development Agency (ARP), Polish Agency for Enterprise Development (PARP) and Polish Investment and Trade Agency S.A. (PAIH). Bank Gospodarstwa Krajowego provides a financial support system for Polish exports based on the Government Programme Financial Support for Export, which is implemented in cooperation with Korporacja Ubezpieczeń Kredytów Eksportowych S.A.

**Bank Gospodarstwa Krajowego (BGK)** provides a financial support system for Polish exports based on the Government Programme Financial Support for Export, which is implemented in cooperation with Korporacja Ubezpieczeń Kredytów Eksportowych S.A. It includes both short-term instruments (e.g. letters of credit, guarantees, pre-financing of exports) and long-term instruments (e.g. loans for the acquirer, debt redemption). In addition, BGK provides financing foreign expansion and foreign investments implemented by Polish companies. The offer concerns in particular exports of goods, investment services and foreign investments. The available mechanisms include, inter alia, project financing, leveraged financing, combined debt-ridden and capital financing or corporate financing. BGK develops its offer of financing mechanisms in order to efficiently support the internationalisation of national enterprises.

**KUKE** carries out export insurance guaranteed by the State Treasury, ensuring the safety of trading on the high risk markets (including also the protection against the so-called non-market risk, related to selected countries). The insurance offers the certainty to receive payment for the goods and services provided, and also facilitates decisions about cooperation with new customers. The special product offer is also targeted at supporting exports of enterprises to the markets regarded as prospective by the Ministry of Entrepreneurship and Technology (Algeria, India, Iran, Mexico, Vietnam). The KUKE offer is directed to enterprises (in the form of, inter alia, insurance or contractual guarantees) and banks financing export transactions (in the form of, inter alia, forfeiting and lasing insurance, guarantees for letters of credit).

**Polish Investment and Trade Agency S.A. (PAIH)** is the coordinator supporting foreign expansion of Polish entrepreneurs, the point of first contact for exporters and investors and the knowledge centre for entrepreneurs planning the development of export activity. PAIH supports exporters by, inter alia, business missions or preparation of enterprises for the participation in trade fairs. The Agency, using the potential of Foreign Trade Offices (FTO) carries out analytical and information work concerning the

attractiveness of particular foreign markets and industries for domestic enterprises. The FTO<sup>54</sup> network supports Polish entrepreneurs abroad. It replaced the existing Trade and Investment Promotion Offices of Polish Embassies and Consulates. Trade offices are opened primarily on prospective, yet more difficult and less known markets in non-EU countries. The system of supporting domestic exporters and importers, in particular on the markets where FTO have not been opened yet is complemented by Polish Embassies<sup>55</sup> which also implement promotion programmes<sup>56</sup>.

Micro, small and medium-sized enterprises can benefit from the co-financing under the projects: **Supporting SMEs in promoting product brands - Go to Brand** and **Promotion of the economy on the basis of Polish product brands - Brand of Polish Economy - Brand**. Support can be allocated e.g. to cover the costs of renting, construction and operation of the exhibition stand or other expenses related to the participation in industry promotion programs:

- 12 selected industries (medical equipment, machinery and equipment, cosmetics, IT/ICT, biotechnology and pharmaceuticals, Polish fashion, construction and finishing of buildings, yachts and boats, furniture, Polish food specialties, health services, car and aircraft parts);
- 5 promotional programs on prospective markets (Algeria, India, Iran, Mexico and Vietnam);
- promotion programs during major media events.

For the most innovative companies, **Polish Technology Bridges** project is being prepared to support them in gaining new foreign markets. Entrepreneurs will be able to participate in acceleration programs on selected 20 foreign markets<sup>57</sup>, enabling them to tailor and implement the company's expansion strategy on a given market, adjust the product/service to local requirements, and acquire mentoring services customised to the needs of companies (e.g. internationalisation, cooperation with foreign partners).

Internalisation support is also implemented through the National Key Clusters (NKC). Under the project **Internationalisation of the National Key Clusters** the professional advisory services concerning foreign expansion were provided. The support mechanism is focused on supporting the cluster's international expansion in conjunction with its R&D&I activities as well as national and international networking.

Support for Polish entrepreneurs is also provided under *de minimis* aid. The support is used to finance e.g. obtaining a product certificate required on foreign markets, organising seminars, conferences as well as sectoral promotional projects supporting projects implemented by a group of at least four entrepreneurs.

Increasing the competitiveness of Polish companies on foreign markets is also achieved by enabling domestic entrepreneurs to establish business contacts under business missions and cooperative exchanges, including through the Polish network of Enterprise Europe Network centres coordinated by the Polish Agency for Enterprise Development.

---

<sup>54</sup>In total there will be 70 foreign trade offices. 42 such offices have been established so far. They are planned also in, inter alia, Algiers, Baku, Casablanca, Chengdu, Dublin, Huston, Johannesburg, Kuwait City, Lagos, Moscow, New York, Yangon, Riyadh, San José, Santiago, São Paulo, Seoul, Istanbul, Stockholm and Ulan Bator.

<sup>55</sup>Applicable to: Australia, Azerbaijan, Chile, Georgia, Iran, Colombia, North Korea, Cuba, Latvia, Mexico, Moldova, Peru, Senegal, Singapore, Slovakia, Slovenia, Thailand, Venezuela, and the Warsaw Trade Office in Taiwan.

<sup>56</sup>In accordance with the Agreement of 14 September 2006 between the Minister of Foreign Affairs and the Minister of Economy on cooperation in the performance of tasks of the Minister of Economy relating to promotion of trade and foreign investments by Polish diplomatic missions abroad where they do not operate (WPHI).

<sup>57</sup> They include: USA, China, Mexico, Turkey, Hong Kong, Russia, Norway, India, Iran, United Arab Emirates, Ukraine, Switzerland, Algeria, South Africa, Canada, Egypt, Japan, South Korea, Vietnam and Saudi Arabia.



Furthermore, actions are taken to support participation of Polish companies in the global public procurement market. Since 2015 the Polish Investment and Trade Agency, together with the Ministry of Entrepreneurship and Technology and the Ministry of Foreign Affairs, has been implementing the project "International Public Procurement (IPP) Information Point". Its purpose is to inform Polish entrepreneurs about tenders, content-related support concerning tendering procedures or find partners.

Among the various instruments that facilitate the conquest of new foreign markets, it is worth highlighting the "Go" programmes for several non-European markets. Under the programs, forums, conferences, foreign and Polish missions for entrepreneurs are organised. For each program (Go China, Go Africa, Go Arctic, Go India, Go Iran and Go ASEAN) dedicated web portals have been created, where exporters and investors can find valuable information about business conditions.

The **Team for Barriers to the Access to Third Country Markets** operating at the Minister of Entrepreneurship and Technology is the support for domestic entrepreneurs. The Team deals with identifying barriers to the access to particular non-EU markets for Polish producers and exporters as well as taking actions by the Polish administration targeted at working towards the elimination of these barriers which particularly afflict Polish producers and exporters. In general, within the framework of works of the Team throughout its existence, i.e. since March 2010, over 70 non-EU countries were analysed and 760 barriers to the access to markets of these countries were identified and discussed. The information concerning barriers present on particular third country markets is gradually supplemented and updated. The access to the current descriptions is possible via the Export Promotion Portal.

Furthermore, presentations during large promotional events in the world contribute to the strengthening of recognition of Polish products and building the image of Poland as a country attractive for the economy. In 2017 Poland participated in two large-scale and comprehensive promotional events: in Hannover Messe Trade Fairs and the International Exhibition EXPO 2017 in Astana in the Republic of Kazakhstan.

In the exhibition Astana EXPO 2017, the theme of which was "Energy of the Future", 115 countries and 22 international organisations took part. It was visited by about 4 million people and the Polish exposition was seen by over 300 thous. people. The Polish participation in the Exhibition was held under the following motto: "Poland: creative people, smart energy" which was awarded a gold medal in the Design category. During EXPO 2017 the Polish-Kazakhstan Economic Forum was organised in which over 300 enterprises (both Polish and Kazakhstan) participated.

In 2017 works related with the participation of Poland in the World Exhibition EXPO 2020 in Dubai commenced. The organisers of EXPO 2020 expect 200 participants from 180 countries and about 25 million visits at the premises of the Exhibition. Furthermore, it is assumed that for the first time in the history of EXPO Exhibitions persons from beyond the United Arab Emirates will account for 70% of visitors. Priorities of Poland's presence at EXPO 2020 will include the promotion of Poland, mainly in economic terms as well as supporting the expansion of Polish enterprises into the market of the United Arab Emirates and the countries of the Middle East.

### 3.3 Cooperation of enterprises within Special Economic Zones and clusters

#### 3.3.1 Special Economic Zones

The total number of permissions for conducting economic activity from the beginning of zones' operations to the end of 2017 amounted to over 4 thous. (almost 1.7 thous. were excluded from legal transactions due to annulment, expiry, declaration of invalidity or cancellation). In 2017 the cumulative value of the capital invested amounted to nearly PLN 106.6 billion.

In 2017 349 permissions for economic activity within special economic zones were issued, but at the end of the year 346 permissions were still valid, which accounted for 14.7% of the total valid permissions. At the end of December 2017 investors employed over 353 thous. employees in total. Compared to 2016, their number rose by 21 thous., i.e. by 6.3%. This increase was similar to the level of 2016 which amounted to 6.4%.

**Table 16. Effects of the operation of Special Economic Zones as of 31 December 2017**

No.	Special Economic Zone	Number of valid permissions	Investment expenditure (cumulatively in PLN million)	Number of jobs	
				new	maintained
1	Kamienna Góra	60	2,557.3	6,698	832
2	Katowice	329	16,605.1	34,018	30,463
3	Kostrzyn-Słubice	180	7,133.4	18,152	14,248
4	Kraków	189	4,240.4	15,939	13,641
5	Legnica	86	5,131.8	9,206	6,088
6	Łódź	209	13,318.7	24,876	8,525
7	Mielec	268	7,838.1	18,162	16,830
8	Pomerania	173	10,481.6	14,692	10,201
9	Słupsk	79	1,592.3	2,415	1,063
10	Starachowice	56	1,790.9	2,645	4,184
11	Suwałki	92	2,500.1	4,895	3,441
12	Tarnobrzeg	195	7,470.7	13,812	6,928
13	Wałbrzych	315	22,789.5	39,439	10,829
14	Warmia and Masuria	118	3,124.6	8,072	12,706
<b>Total</b>		<b>2,349</b>	<b>106,574.5</b>	<b>213,021</b>	<b>139,979</b>

Source: The Ministry of Entrepreneurship and Technology.

At the end of 2017, over 68% of invested capital came from six countries: Poland, Germany, the Netherlands, USA, Luxembourg and Italy. In comparison to 2016 the leadership position changed because Poland with the share of 21% left behind Germany. In addition, Luxembourg was ranked at 5th position, and it moved up from 13th position in 2016. Belgium was beyond the top six.

### **Box 1. The so-called Polish Investment Zone**

2018 is a breakthrough in the approach to investment policy and existing rules of the operation of the zones. The idea of the Polish Investment Zone was introduced under the Act on supporting new investments which entered into force on 30 June 2018. New regulations implement one of the pillars of the Strategy for Responsible Development - Capital for Development. The introduced measures are complementary with other Strategy's projects, such as the Package for Middle-sized Towns or the Programme of Supporting Investments with a significant importance for the Polish Economy.

The Act will replace the existing system of support for investors under the Act of 1994 on Special Economic Zones. Pursuant to a new Act the support will consist in obtaining by the economic entity a right to exemption from income tax which will depend not only on the investment location but also on its nature and quality of jobs being created. The objective of a new approach will be to encourage economic entities to invest throughout the country.

In order to guarantee rights acquired by economic entities implementing investments within SEZ the decision was made not to repeal the Act on Special Economic Zones. The effective period of two acts introduces the transparent division into investments which will benefit from the existing support until 2026 as part of permissions granted pursuant to the SEZ Act and new investments which may benefit from the support under a new Act.

However, within the framework of the Polish Investment Zone the public aid instrument in the form of tax exemptions will be available for economic entities planning the investment in any area designated for the investments in the country, which pursuant to the Polish legislation and the EU law will cover the establishment of a new production plant and re-investments.

Favourable solutions related to the support of investors which are currently entering into force means a departure from territorial limitations. This will eliminate a long-term and burdensome for the entrepreneur and public administration procedure of changing SEZ borders and restriction of areas in which the support could be obtained.

In the case of SEZ Act the period of benefiting from the tax exemption by a given economic entity resulted from the final date of the SEZ operation. The current solution envisages that one will be able to benefit from the tax exemption for the period of the decision on the support issued for an entrepreneur - as a standard, from 10 to 15 years. The principle will apply that the higher is public aid allowed by the European Union in the region, the longer is the possible period of exemption.

The decision on the support may be issued with respect to a new investment when it fulfils a number of criteria aiming at verifying whether the investment will contribute to the economic and social development of the country and region. Therefore, undertakings affecting competitiveness and innovativeness of regional economies and, as a consequence, Poland's economic development will be rewarded. This concerns, inter alia, knowledge transfer, conducting R&D activity, development of clusters as well as providing favourable conditions for employees, including those going beyond standard benefits from the Company Social Benefits Fund.

The minimum criteria for investment costs will be differentiated depending on the size of the economic entity and unemployment rate in the poviats competent as to the investment location. Furthermore, investments in middle-sized cities losing economic and social functions will be rewarded. The remaining regions with high unemployment may also count on preferential treatment in accordance with the rule saying that the higher unemployment, the lower required investment expenditure.

Finally, it should be highlighted that new principles of public aid for investors open up the possibility of obtaining the support for micro-, small and medium-sized entrepreneurs as the required investment expenditure will be tailored to their abilities. This should foster the increased investment flow in less developed regions which at the current stage of development are not able to meet excessive requirements of large investors, such as e.g. infrastructure or availability of human resources.

With a view to using the existing achievements of companies managing zones, they will become the main point of contact in the region for the investor service at every stage of investment implementation and they will operate on the basis of the investment development plan drawn up on their own.

### 3.3.2 Clusters in Poland

One of the economic priorities of the government is to ensure the development of Polish enterprises and the increase in the competitiveness of the Polish economy in the EU and on the global markets. Nowadays the competitiveness of economy is becoming more based on research, development and innovation (R&D&I). Thanks to a naturally established cooperation of enterprises, research institutes, business environment institutions, non-governmental organisations and local authorities, clusters have become a room for the development of enterprise innovativeness, the increase in knowledge transfer between various stakeholders and for the development of trust between them.

The dynamic growth of the number of enterprises operating within clusters contributes to a faster economic growth, higher productivity, increased profits, inflow of direct investments, increased exports and creation of new jobs. The establishment of clusters in high technology sectors improves the innovativeness of enterprises. The operation of small and medium-sized enterprises within clusters is of particular importance; without institutional support and a value chain established within the cluster, such companies often would not be able to meet the challenges of the modern market.

The first clusters were established in Poland in 2003-2005. In 2015, the Polish Agency for Enterprise Development prepared an analysis of clusters in Poland, which focused on determining the actual number of clusters functioning in the country. In the course of inventory, 134 clusters created between 2003 and 2015 were identified. Although the study revealed that the oldest clusters had been operating for 12 years, the majority of clusters (over 60%) are young, i.e. created between 2011 and 2015. Polish clusters operate in both high technology sectors, i.e. ICT sector or creative industry, and traditional sectors. Among the clusters operating in traditional sectors, the following clusters are worth mentioning: woodworking cluster, furniture cluster, construction cluster, raw material cluster, metalworking cluster, healthy food cluster, life quality cluster and tourism cluster.

In the Strategy for Responsible Development clusters are assigned a significant role related to the development of cooperation between SMEs and the increase in their innovativeness, thanks to the operation in the cluster structures as well as internationalisation of activities taken by cluster entities based on experience and cooperation between members of the cluster. The important component of the above-mentioned objectives is the continuation of activities related to the identification and support of the National Key Clusters.

In 2018 the cluster assessment system under the Competition for KNC status was updated. The introduced changes reflect desirable directions of development of clusters in Poland and aim at providing a better cohesion between the cluster policy and other public policies. Nowadays the KNC development system consists of six assessment areas which refer to the most important cluster operation areas: human and organisational resources, infrastructure and financial resources, economic potential of the cluster, creation and knowledge transfer, activities for public policies, orientation towards the customer. So far two rounds of the competition, in which 16 key clusters were selected, have been held. Nowadays the KNC status have: the Aviation Valley, Interizon, Metal Processing Cluster, Mazovia ICT Cluster, Polish Aluminium Cluster, Eastern Construction Cluster, "Green Chemistry" West Pomeranian Chemical Cluster, LifeScience Klaster Krakow, MedSilesia Cluster, NUTRIBIOMED Cluster, Silesian Aviation Cluster, Eastern Cluster ICT, Waste Management and Recycling Cluster, Sustainable Infrastructure Cluster, North-South Logistics & Transport Cluster, and Bydgoszcz Industrial Cluster.

In 2018 works of the Working Group for cluster policy were initiated. It gathers representatives of 16 regions, representatives of KNC and other representatives as well as cluster policy experts. The group aims at developing directions of cluster policy development and reviewing the initiatives implemented to

date, evaluating the level of cluster policy coordination at the country-region level and achieved effects of synergy.

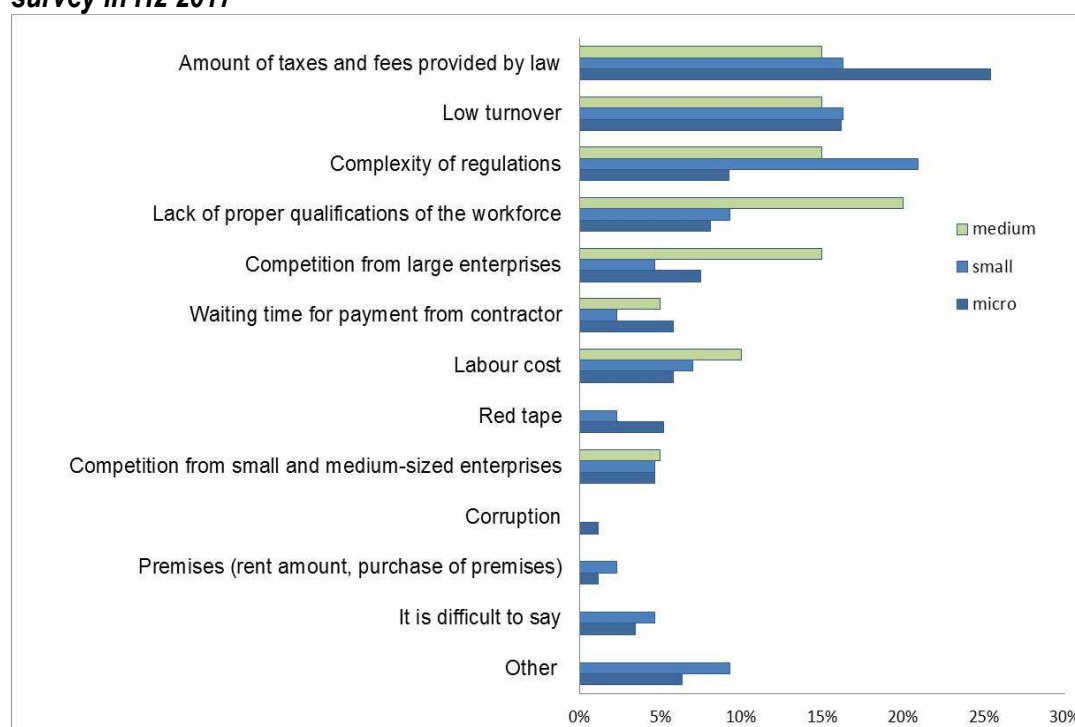
### 3.4 Barriers to business activity

#### 3.4.1. Barriers to business activity from the perspective of entrepreneurs

Doing business is connected with a number of challenges, which entrepreneurs decide to face in a changing business environment. The important task for the further development of entrepreneurship is to define and next implement public interventions aiming at tackling challenges which may be a barrier to developing and conducting a business. Qualitative surveys constitute one of the analytical tools that complement public statistics in the field of enterprise research.

The questionnaire surveys *Development trends in micro, small and medium enterprises from the perspective of entrepreneurs*, nowadays carried out by the Ministry of Entrepreneurship and Technology on a regular basis since 1998, are a source of information on barriers to economic activity faced by entrepreneurs. The most recent survey was carried out on the turn of February and March 2018 in a randomly selected group of enterprises.

**Chart 24. Main barriers to the enterprise development according to SMEs taking part in the survey in H2 2017**



Source: *Development trends for micro-, small and medium-sized enterprises in H2 2017*, Ministry of Entrepreneurship and Technology, June 2018.

Although the amount of taxes and fees (22.9% indications in total) has been a major problem for many years, the importance of this area declines. These issues are more important for the self-employed than for entrepreneurs employing workers (the difference in answers amounted to 10 p. p.). The second most often mentioned barrier to running a business is low turnover (16.1% in total - similarly to the results of the survey from H2 2016). Competition of large enterprises and of small and medium-sized enterprises are barriers whose share has slightly increased in the recent survey (7.6% and 4.7% of indications,

respectively). 11.9% of respondents pointed to complexity of regulations, so many more than usual. Factors related to employees, i.e. costs and qualifications are increasingly severe for employers - 9.3% of entrepreneurs indicated lack of employees with proper qualifications, while 6.4% pointed to cost of employing .

Among microenterprises, the share of indications to the level of statutory taxes and fees as the most important barrier to running a business, amounted to 25.4% in H2 2017. The second most important barrier was low turnover – 16.2% of indications. The percentage of indications to complexity of regulations increased - 9.2%. Furthermore, microenterprises struggle with the problem of lack of employees with proper qualifications - 8.1% indicated it as the main barrier to development. 7.5% of respondents mentioned competition of large enterprises, while 4.6% of respondents pointed out competition of small and medium-sized enterprises. The percentage of indications to red tape is the higher among microenterprises (5.2%).

In the group of owner of small enterprises 16.3% of respondents indicated to the level of statutory taxes and fees as the most important barrier and the same number pointed to low turnover.

For owners of medium-sized enterprises lack of employees with proper qualifications was the most important barrier (20.0%).

The applicable provisions and procedures have a significant impact on conducting economic activity. In H2 2017 the high share of negative responses (the quality of provisions assessed as bad or very bad) was observed in provisions and procedures of the tax law (61%) followed by economic jurisdiction (49%). There was a high percentage of responses negatively assessing provisions and procedures of the labour law (40%) and the control of economic activity (39%). However, positive assessments prevailed over negative ones in the area of provisions and procedures concerning the establishment and closure of an enterprise: 46% of surveyed entrepreneurs assessed them as positive.

The majority of entrepreneurs stated that they did not notice changes in procedures and provisions in H2 2017. 33% of respondents assessed changes in the tax law, 24% in commercial judiciary, 25% in the control of business activity and 20% in the labour law in a negative way. At the same time 15% of entrepreneurs pointed to the improvement of provisions related to the control of economic activity and the same number indicated to those concerning the opening and closing a business. 13% assessed changes in tax law as positive.

Innovative activity is related to taking higher risk due to the specificity of innovation itself. At the same time, from the point of view of the desired structure of modern economy, such an activity is most welcome among entrepreneurs. In the survey of non-innovative enterprises although, according to the studies of the Central Statistical Office, in the years 2014-2016<sup>58</sup> 81.7% of enterprises found no convincing reason to implement innovation, 18.3% failed to do so due to too high barriers. The main barriers to the implementation of innovation among industrial enterprises included: too high costs, lack of funding options as well as the difficulty in obtaining public grants or subsidies. Furthermore, entrepreneurs assessed the effects of regulations on the innovation activity of industrial enterprises. Although for 17.7% of industrial enterprises regulations had an impact on initiating one or more innovative undertakings, 21.5% indicated to incurring costs of one or more such undertakings, 13.8% to preventing the enterprise from implementing one or more innovative undertakings, 9.6% to the delay in the completion of one or more innovative undertakings and 6.5% to stoppage of one or more innovative undertakings in progress.

---

<sup>58</sup>*Innovation activity of enterprises in the years 2012-2014*, Central Statistical Office.

### 3.4.2 Competency gaps on the labour market

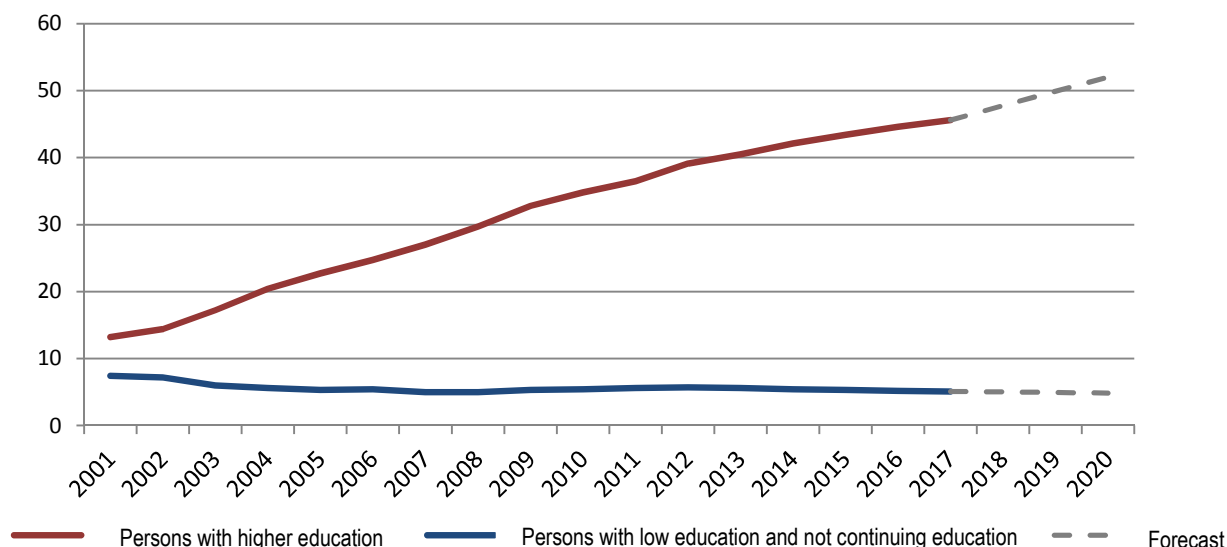
Human capital with sufficiently high competences and qualifications adjusted to the challenges of the changing reality is one of the key factors in the rapid social and economic development of the country and in the improvement of the quality of life of citizens. Processes in the Polish economy (inter alia, economic, demographic, climatic or energy security) contribute to changes in the structure of labour demand, both in a domestic market and local labour markets. This translates into changing need for competences and skills. Without appropriate investments in skills the group of persons who are at risk of social exclusion enlarges and technological progress does not translate into the economic growth. The changes in the structure of labour demand require an appropriate the adjustment of labour supply through the development employees' qualifications and increase in their mobility.

The failure to customise education and training systems to the needs of the current and forecast for the future labour market condition is a common problem at national and regional level. It is a barrier to the evolution regarding the structure of manufacturing goods and services in the direction enabling the sustainable economic growth. Apart from specific professional skills, general skills relevant for the functioning in social and economic life, such as communication, creativity, learning ability or cooperation ability need to be supported, as they must be taught at every stage of education from an early age.

Dynamically changing conditions and the need to address the development dilemmas pose new challenges which the Polish science and higher education must meet. Both in terms of education (a small share of the staff with experience in teaching practice), joint research undertakings (often easier and "faster" implementation of research on one's own than commissioning it to the university research centre) and flow of information (inter alia, on the demand on qualifications and concerning qualification of employed graduates from schools and universities). **Therefore, bringing out the potential knowledge, skills and creativity is crucial**, as it allows for pursuing professional aspiration, enables adaptation to constant changes in the economy and is essential for creation of new innovative solutions.

Despite of the fact that the percentage of persons aged 18-24 with low level of education and not in further education or training has been systematically declining in recent years - in 2017 it was 5.1% (in EU - 10.6%), the quality of education must be improved at all its stages. Polish education should focus on qualitative and not only quantitative development - the best Polish universities (despite of the fact that the percentage of persons with higher education - 45.6% in 2017 compared to less than 40% of the EU average - is impressive) are classified in the fifth hundred of the so-called Shanghai Listing - the prestigious ranking of the best universities in the world.

**Chart 25. Percentage of persons aged 30-34 with higher education and percentage of persons with a low level of education and persons aged 18-24 who do not continue the education along with the forecast on the basis of the trend of the years 2001-2017 (%).**



Source: Ministry of Entrepreneurship and Technology on the basis of the Eurostat data.

The active participation of employers in creating vocational training programmes constitutes a guarantee of the good preparation of graduates for the labour market and for the further appropriate adaptation of employees to the needs of the changing economy both at national and regional level.

Due to a fast pace of technology development, adaptability skills of employees is necessary throughout the entire professional life. The increase in competences also as an adult become critical in this regard. The share of adults engaged in life-long learning is low and it has been declining over the past decade (Chart 38), in particular among older employees and persons with low qualifications who most need it. In Poland in 2016 only 3.7% of persons aged 25-64 improved their qualifications (in EU - 10.8%).

Foreign languages skills constitute an important matter for employers looking for employees. According to the results of the study *Adult education in 2016* (CSO, 2018), over two thirds of the surveyed population of persons aged 18-69 declared the knowledge of any foreign language, among which persons speaking only one foreign language constituted the most numerous group (44.7% of the total population surveyed). The prevailing part of persons who declared speaking one foreign language (66.5%) mastered it at the basic level. Next to a large number of persons who do not speak any foreign language (almost one third of respondents), 57.4% of citizens knowing a foreign language defined their language skills only as basic. Less than 30% of the entire population surveyed assessed their foreign language skills at least as intermediate, which nowadays seems to be necessary to meet the requirements of the contemporary knowledge-based economy<sup>59</sup>.

Labour market has been changing in recent years not only in geographical terms but also sectoral and qualitative terms, whereas the pace of changes is dynamic. Robotic automation of job positions, autonomous products, intelligent plants are becoming more and more popular. Digitalisation, which is a pillar of Industry 4.0 becomes present in all areas of enterprise operation and despite of this fact entrepreneurs experience significant supply barriers on the labour market. New professions and the need for new competences makes the re-education of human resources necessary, which becomes not

<sup>59</sup>CSO (2018) Adult Education in 2016, Gdańsk.



an easy task in the era of the so-called “employee’s market”. Efficient management of four different generations of employees may be an important competitive advantage of enterprises.

Efficient employees must combine the knowledge concerning the specific production process with IT skills, also in terms of challenges related to the digital transformation of the industry. The system of education and development skills should be flexible enough to allow for the fast reaction to the need of the economy for particular skills. According to the CSO data, only 46.4% of Poles have digital skills.<sup>60</sup>

Relevance of qualifications possessed in the digitalisation era seems to be more and more important. According to the market research<sup>61</sup>, among companies operating in the digitalisation area, 44% of employees declared that they must systematically update their skills in order to do their work well, 9% every 1-3 months, 21% every 6 months and 17% once a year. Only 2% stated that there they see no need for this, 3% did not know and 5% responded that it is enough to take such actions once a few years.

Building modern staff for the Polish economy is one of strategic challenges determined in the Strategy for Responsible Development. The strategy, according to expectations of entrepreneurs, points to the need to construct a new model of cooperation between education and economy - inter alia, through inclusion of work placements in enterprises into the education system or the active participation of the industry in preparing curricula. The system of skills councils plays a significant role in constructing the model of cooperation between education and entrepreneurs. The system consists of three elements: Sector Skills Councils, the Programme Board and the Human Capital Balance, i.e. the study of skill adjustment of supply and demand on the labour market.

Among measures implemented in 2017 by public institutions for the better adjustment of qualifications to requirements of the labour market, it is worth to mention, inter alia, that implementing the amendment of the *Act on employment promotion and labour market institutions* introduced in May 2017 is being continued. It introduced new solutions, such as tripartite training contracts, voucher system, inter alia, an internship voucher and training voucher as well as National Training Fund (NTF).

In 2017 the above-mentioned instruments were used by, inter alia,

- 49.2 thous. unemployed persons and jobseekers who completed the training, out of which 15.4 thous. people without professional qualifications. 34.3 thous. persons took up a job during the training or up to three months after its completion;
- 140.1 thous. unemployed persons who completed internship, out of which 118.6 thous. persons continued employment;
- 173 persons completed the professional training for adults;
- 253 unemployed persons who completed the training as part of tripartite training contracts (signed between the employer, the Poviats Employment Agency and the training institution);
- 27.4 thous. employers received the financial support from the National training Fund (NTF) for lifelong learning activities, which allowed 110 thous. persons employed for developing their skills and qualifications.

Lack of appropriate candidates for vacancies is a problem afflicting entrepreneurs more and more severely. According to SME sector studies carried out by the Ministry of Entrepreneurship and Technology<sup>62</sup>, among surveyed entrepreneurs with employees and recruiting employees in the second half of 2017, 18% stated that there were no candidates, 29% there was only 1, 35% from 2 to 4, and

---

<sup>60</sup> CSO (2017). *Information society in Poland*. Results of statistical studies of the years 2013-2017.

<sup>61</sup> “Coming of Age Digitally”, MIT Sloan Management Review & Deloitte, 2018.

<sup>62</sup> Development trends for micro-, small and medium-sized enterprises in the opinion of entrepreneurs in H2 2017.

18% 5 candidates and more. Entrepreneurs do not always manage to find the appropriate staff, which is the most frequently caused by too high salary expectations and lack of required qualifications. At the same time, in companies hiring employees, there were vacancies in 25% of entities, 2% offered jobs for unskilled workers and 8% of entities declared to have vacancies both for skilled and unskilled workers.

The forecast for 2018 included 27 professions regarded by experts as deficit - the largest problems related to finding appropriate persons for work may be expected in sectors concerning construction and industry (woodworkers, construction carpenters, bricklayers and plasterers, welders) but also in catering (cooks, confectioners) and medical sector (nurses and midwives, carers of elderly and disabled persons), in transport and services.<sup>63</sup>

Poland, as the entire EU, encounters problems of adverse demographic changes. According to the CSO forecasts, in the forthcoming years Poland will experience a significant drop in population. Until 2020 the population of our country will decline by 280 thous. inhabitants compared to 2015 and until 2030 by almost a million. In the case of the labour market, the drop in the number of working age, i.e. persons aged 18-64 turns out to be more significant than the declining total population. In the years 2015-2020 the number of persons in the working age will drop by 590 thous., and in the forthcoming years this process will increase. Until 2030 total labour force will decrease by over 1.5 million people (i.e. by over 6%). The most dramatic drop will concern persons in the "mobile" working age, i.e. aged 18-45. In economic terms this part of labour force is particularly precious. According to the analysis of the European Centre for the Development of Vocational Training (CEDEFOP) forecast, the highest drop in labour supply in Poland will take place in the age groups 15-24 and 25-34 (22.5% and 21.5%, respectively) until 2025.

In the face of present challenges, an ageing population and the declined number of the local labour force, an appropriate migration policy takes on particular importance. The increasing mobility of population, including in particular the mobility of labour force becomes the *sine qua non* condition of the economic and social development of many economies.

The perspective of the ongoing demographic change requires the development of long-term and comprehensive approach to this challenge, taking into consideration the issue of migration management, which was indicated in the Strategy for Responsible Development of 14 February 2017. In the context of labour market needs, the Strategy envisages that Poland's specific situation as a country which is still emigrant (since 2002 the number of people temporarily living abroad has been systematically rising) and immigrant (increasing economic attractiveness resulting in the gradually growing share of foreigners on the labour market - in particular from the east of Europe and Asia) forces proper measures with respect to the process of emigration and immigration.

In 2017 over 235.6 thous. work permits for foreigners were issued (by 85% more than in 2016) in Poland. The largest entitled group consisted of citizens of Ukraine (81.7%) followed by citizens of Belarus (4.5%), Nepal (3%), India (1.7%) and Moldova (1.6%). The largest number of foreigners took up a job in construction; wholesale and retail trade, information and communication and manufacturing.<sup>64</sup>

The largest demand for the work of foreigners is still in the Mazowieckie Voivodeship - in 2017 in this region 32% of permits were issued and 23% declarations were registered. However, the importance of this voivodeship significantly decline in comparison to the whole country and a gradual growing

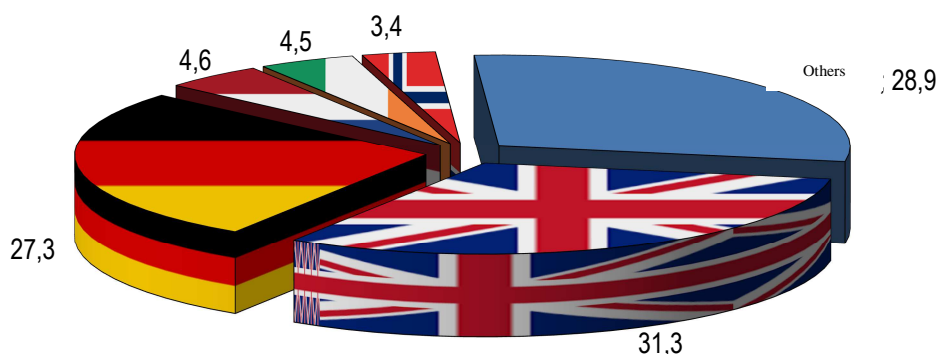
---

<sup>63</sup>The Ministry of Family, Labour and Social Policy (2018). Barometer of professions 2018 Warsaw.

importance of other regions, inter alia, the Dolnośląskie, Wielkopolskie or Podkarpackie Voivodeship is observed.

According to the Central Statistical Office estimates, at the end of 2016 about 2.5 million Poles, i.e. 4.7% more than in 2015, temporarily lived abroad. About 2.2 million people stayed in Europe, whereas the vast majority (about 2.1 million) stayed in the EU member states. This number rose by 5.1% compared to 2015.

**Chart 26. Estimated share of Polish citizens temporarily residing abroad in geographical terms in 2016 (%)\***



Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the CSO data; \*results of the estimate prepared by CSO should be treated as approximate.

## 4. INSTITUTIONAL ENVIRONMENT OF ENTERPRISES

Since the publication of the previous report, measures have continued to improve the legal conditions for conducting business. 30 April 2018 the so-called Constitution for Business, i.e. the package of 5 acts aiming at helping to establish partnership relations between entrepreneurs and officials anew as well as facilitate setting up and conducting business in Poland, entered into force. One of these packages - Entrepreneurs' Law Act - introduces the canon of fundamental principles giving entrepreneurs guarantee in relations with public authorities. As a central act it aims at influencing the manner of enacting, interpretation and application of all provisions concerning economic activity. The most important provisions of the Act include, inter alia: establishing the catalogue of rights and obligations of entrepreneurs and bodies serving as guidelines for administrative bodies, setting the limits for their interference in the freedom of economic activity.

The results of the analysis focusing on barriers for the SME sector confirm that the level of statutory taxes and fees is the barrier to the development most often indicated by entrepreneurs. The response of the public policy to the diagnosed problem was, inter alia, adoption of the Act on the amendment of some acts in order to reduce social contributions of natural persons conducting economic activity on a smaller scale. It introduces solutions aiming at solving the problem of an excessive burden imposed on entrepreneurs conducting low-revenue economic activity. They make the level of social contributions base dependant on the obtained revenue.

According to the Survey on the Access to Finance of Enterprises (SAFE) carried out by the European Commission in cooperation with EBC, currently the access to financing is not a key barrier to the development for the majority of Polish or European enterprises. This does not mean that there is no problem at all. We can still speak about a relatively higher financial gap in some market segments - i.e. of micro-, new enterprises, enterprises with no credit history or on the venture capital market. Furthermore, the recommended general directions of limiting the gap are in force, i.e. mainly various manners of limiting information asymmetries and disseminating financing forms alternative to the bank loan, in particular the so-called alternative debt, hybrid solutions or capital market mechanisms.

In Poland own resources of enterprises are the source of financing for over 77% of the value of implemented investments in fixed assets and intangible assets. In 2017 by means of domestic and foreign bank loans investment expenditure amounting to PLN 17.7 billion was financed, which accounted for 10% of outlays, confirming the role of the loan as the second important source of investment expenditure. As far as external financing is concerned, leasing plays a significant role. Leasing is, after bank credit, the most common external source of investment financing for Polish enterprises. During the 2017 lessors financed investments amounting to PLN 67.8 billion, which was a nominal increase by 15.7%. This rate is very similar to the high multi-year average rate and expectations of the industry for the next year are similarly optimistic. The Polish Private Equity (PE/VC) market, which is under development, still plays an insignificant role. The essential legal and organisational structure for the sector operation has been already constructed to a large extent, while in the future the increase in the share of private funds will be necessary.

In 2017 and the first months of 2018 the implementation of programmes under the 2014-2020 framework was accelerated, both in terms of agreements and payments. Nowadays the majority of financing concerns objectives related to research and development, innovativeness and broadly understood competitiveness of enterprises.

## 4.1 Institutional and legal environment

### 4.1.1 Horizontal business regulations

In July the **Act of 7 July 2017 amending the Act on personal income tax and the Act on corporate income tax** entered into force. The amended provisions aimed at creating the mechanism stimulating the investment process performed by entrepreneurs. It is assumed that thanks to introduced changes the wider range of entrepreneurs will be more willing to invest in machines and devices, which in turn will have an impact on the improvement of productivity and competitiveness of the run enterprise.

New regulations cover both CIT and PIT payers which every year will be able to make one-off depreciation in the amount of PLN 100 thous. per annum. The one-off depreciation may be used by entrepreneurs who purchased a machine or device (or made payments for the purchase of fixed assets) belonging to groups 3-6 and 8 of the Classification of Fixed Assets for the amount not lower than PLN 10,000.

In 2018 the works on the Package 100 changes for companies are on progress. 85% of designed solutions already entered into force in 2017.

On 5 February 2018 President of the Republic of Poland signed the **Act of 10 January 2018 amending certain acts in relation to shortening of the retention period of personnel files and their digitalisation**. Regulations will enter into force on 1 January 2019.

Employers will retain personnel files for a shorter period of time - for 10 years instead of 50 years as it is now. The Social Insurance Institution will have all data necessary to obtain benefits and determine their amount. They will be recorded on the account of the insured. Employers will be able to maintain employee files in the electronic form, which is a response to the ongoing digital transformation in business. If the employer decides to archive files in this form, the existing paper documentation will be scanned and signed with a qualified electronic signature.

The impact: it will be cheaper and simpler through the reduction of storage space, the amount of technical equipment necessary for maintaining employee files (e.g. binders, shelving units) and increasing the security level of the insured through data transfer to the Social Insurance Institution which will be able to use the information resources, while deciding upon the right to social security benefits. Instead of a pile of papers - electronic form.

Furthermore, the works on the **package of the Constitution for Business** were continued. It entered into force on 30 April 2018.

**The Act of 6 March 2018 - Entrepreneurs Law** as the central act of the commercial law contains the canon of fundamental principles which materialise the freedom of economic activity and lay down the general framework for conducting it. The adopted provisions aim at strengthening rights and guarantees of entrepreneurs. General principles will set the standard of actions taken by public bodies in matters of entrepreneurs. The Act introduced, inter alia, the so-called non-registered activity (in cases of the activity on a small scale no activity registration obligation arises) as well as the so-called "relief for the start" which envisages that beginning entrepreneurs will be exempted from the obligation of paying social insurance contributions for the first 6 months of conducting economic activity. Pursuant to the provisions of the Act the entrepreneur during contact with authorities will use only NIP number which will also become the identification number in the REGON register. As far as administration bodies are concerned, they will issue "legal clarifications" explaining provisions governing economic activity, concerning their practical application, written in plain language.

The package introduced the Ombudsman for Small and Medium-sized Entrepreneurs (**the Act of 6 March 2018 on the Ombudsman for Small and Medium-sized Entrepreneurs**). The Ombudsman's task is to uphold the interests and protect rights of entrepreneurs. His competences will include, inter

alia, issuing opinions on draft acts concerning interests of entrepreneurs, requesting appropriate offices to take up legislative initiative and requesting appropriate offices to issue legal clarifications of particularly complex provisions concerning economic activity, supporting mediation between entrepreneurs and administration bodies, requesting appropriate bodies, organisations and institutions to take up proper measures.

**The Act of 6 March 2018 on the Business Activity Central Register and Information Record and Information Point for Entrepreneur** is another regulation under the package. The most important modifications of the Business Activity Central Register and Information Record (CEIDG) include: allowing for sharing the register of powers of attorney and commercial powers of attorney in CEIDG, introducing the principle of automatic resuming economic activity following the lapse of suspension period, restricting the range of data contained in the entry to CEIDG not directly connected with economic activity or not significantly influencing the safety of economic trade. As far as the Information Point for Entrepreneur is concerned, it is the development of the existing site [www.biznes.gov.pl](http://www.biznes.gov.pl). The Point will not only explain how to settle particular administrative matters but also enable e.g. paying official fees or obtaining the certificate on no arrears in payments of taxes or contributions. It will provide entrepreneurs with clear and precise information on provisions concerning conducting economic activity - according to the assumptions related to managing the matters with the use of new communication technologies. The Point will remind entrepreneurs, by SMS or e-mail, e.g. of upcoming official deadlines. Furthermore, explanations concerning legal issues raise serious doubts in practice will be published on the website. Finally, it will be possible to submit proposals of facilitations or liquidation of particular administrative burdens, inter alia, through enabling the settlement of the matters related to commencing, conducting and finishing economic activity on the territory of the state.

Furthermore, the package contains a regulation which comprehensively defines legal norms of conducting economic activity and cross-border service activities on the territory of the Republic of Poland by foreign entrepreneurs and other foreign persons (**the Act of 6 March 2018 on principles of participation of foreign entrepreneurs and other foreign persons in business transactions**). The Act incorporates the provisions of the Act of 4 March 2010 on rendering services on the territory of the Republic of Poland and provisions of the current Act on freedom of economic activity concerning establishment and operation of branches of the foreign entrepreneur.

On 28 May 2018 President of the Republic of Poland signed **the Act of 12 April 2018 on principles of obtaining information on clean criminal record of persons seeking employment and persons employed in financial sector entities**. The Act governs the principles of examining clean criminal record of candidates seeking employment and persons employed in financial sector entities or performing actions for these entities. The fact that so far the verification of clean criminal record of persons employed in these entities has been impossible undermined the trading safety, reduced the competitiveness of Polish enterprises and negatively influenced the decisions on investments in this market sector.

On 7 June 2018 the Sejm of the Republic of Poland passed **the Act on the succession management of a natural person's enterprise**. The Act introduces the possibility of the continuous operation of the enterprise after the entrepreneur's death as the so-called enterprise in inheritance. Thanks to it, the enterprise will retain employers, the NIP number and the continuation of tax settlements, carry out concessions or permits obtained by the entrepreneur as well as implement commercial contracts which he concluded.

The succession manager may be appointed by the entrepreneur during his lifetime. It is a very simple solution - the written statement and entry into CEIDG (without fees). After the entrepreneur's death the manager will be able to immediately take over the conduct of the current enterprise operation.

Furthermore, the provisions of the Act foresee the “emergency mechanism” - appointment of the succession manager by persons inhering the enterprise or the entrepreneur’s spouse. It may take place within 2 months from the death at the prior consent of 85% of authorised persons. In this case the Act envisages the requirement of the notarial deed. The succession manager will be able to run the enterprise until the inheritance formalities are completed (division of the estate), for a maximum of 2 years. In exceptional cases, the court will be able to prolong the succession management up to 5 years.

On 30 June 2018 **the Act of 10 May 2018 on the support for new investments entered into force.** The main objective thereof is creating attractive conditions for conducting economic activity and investments, not only for large enterprises, but in particular for entities from the SME sector. The provisions of the Act provide an opportunity to make use of many reliefs related to conducting economic activity which Special Economic Zones give. However, a departure of tax exemptions dependent on the location of the conducted activity is a significant novum. New provisions do not link economic activity with a particular location in the country but rather with the investment nature and quality of jobs created (new solutions are described in more detail in Subchapter 3.3.1).

On 6 June 2018 the concept of the new **Public Procurement Law** was published. It presents the proposal of overall reform of the public procurement system and its new shape. Currently meetings with stakeholders concerning the Concept are being held. Until 2018 the draft act of the new Public Procurement Law is to be prepared and submitted to the government legislation process. The new Act is planned to be passed by the Sejm in 2019.

The new Act envisages, inter alia, more effective spending of public funds, increasing the competitiveness of proceedings, greater access to public procurement market for SMEs, increasing the certainty and transparency of the law and greater transparency of proceedings.

The proposals in the concept of the new Public Procurement Law which are expected to particularly serve to entrepreneurs include, inter alia, balancing the positions of parties to the agreement (including the introduction of the open catalogue of abusive clauses), providing partial payments or advance payments in long-term contracts, extending the scope of judicial remedies to which contractors are entitled and reducing their costs, procedural simplifications (including the introduction of simplified procedure for contracts with a value below the EU thresholds, the integration of registers enabling the reduction of the number of documents to be submitted by contractors applying for the award of the contract.

**The Act of 20 July 2018 on the amendment of some acts in order to reduce social contributions of natural persons conducting economic activity on a smaller scale** (will enter into force on 1.01.2019) introduced solutions aiming at solving the problem related to the excessive burden imposed on entrepreneurs conducting low-revenue economic activity (inter alia, connected with the seasonal activity). They make the level of social contributions base dependant on the obtained revenue. The use of mechanism proportionally to reduced contributions from the obtained revenue will be conditioned on:

- obtaining the revenue not exceeding the multiple of 30 minimum remuneration during a calendar year (in the case of commencing or suspending economic activity during the calendar year, the limit of revenue will be proportionally diminished);
- not benefiting from the preferential basis of payment of social security contributions for persons commencing economic activity (the so-called small ZUS);
- conducting non-agricultural economic activities in the previous calendar year for minimum 60 days;
- not conducting non-agricultural economic activities for the former employer.

The new mechanism may be used for 36 months during the last 60 months of conducting economic activity. The regulation excludes persons to whom provisions concerning flat-rate income tax payment in the form of the tax card applied in the previous year and benefit from the exemption of sales from VAT

pursuant to Article 113(1) and (9) of the Act on VAT. It is justified by the fact that these persons do not provide the information on revenues in submitted tax forms to the National Revenue Administration (NRA).

It is expected that the regulation will improve the profitability of low-revenue economic activities which nowadays bear inadequate parafiscal burdens. It should positively influence the survival of enterprises and contribute to the development of entrepreneurship.

**The draft act amending certain acts in order to introduce simplifications for entrepreneurs in the tax and commercial law** covers over 50 facilitations for the small and medium-sized business. The project facilitates running of the company in 3 ways: reduces bureaucratic burdens, extends some privileges, unequivocally forejudges the ambiguities in provisions which cause problems in everyday operation of the enterprise. The Ministry of Entrepreneurship and Technology estimates that within 10 years of the effective period of this Act entrepreneurs will save at least PLN 3.8 billion. The regulation contains, inter alia, the proposal of increasing revenue threshold entitling to obtaining the "small taxpayer" status from EUR 1.2 million to 2 million, recognising the spouse's remuneration as a tax deductible cost as well as enabling a one-off settlement of the losses up to PLN 5 million. The project provides for simplifications of accounting for micro-entrepreneurs, small facilitations in occupational health and safety as well as simplifications and forejudging contentious issues for limited liability companies.

Currently works on the so-called simple joint-stock company (PSA) are in progress - the draft Act on amending the Act - the Commercial Companies Code and certain other acts is after public consultations and inter-ministry consultations.

The new type of activity - simple joint stock company will be an ideal solution for young innovative enterprises, the greatest capital of which is an idea. PSA is a new legal form of conducting business, designed with an eye towards innovative companies - start-ups. It will be possible to adjust PSA to one's needs - it is mostly characterised by a high degree of flexibility of founders in forming relations in the company, its financial and organisational structure. A contribution to the company may consist of that what is the most important initial capital of the start-up, there is no need to create often "artificial" share capital. One may dispose of the company's money capital easier than in the case of other capital companies - the procedures of increasing share capital will not be necessary. Shares of the company may be equipped with various rights, e.g. to provide founders' shares the appropriate "power" or issue non-voting shares. In order to operate PSA needs only the management (no obligatory supervisory board). However, founders may alternatively establish the Board of Directors which will deal with both the management and supervision in the company. In the case of failure it is possible to conduct a simplified liquidation.

Nowadays works on reducing the problem of payment gridlock are in progress. Over a half of Polish enterprises declares that late payments constitute a barrier to the development of their activity. The payment periods exceeding even 120 days have the same effect. The problem is particularly acute for SMEs: these enterprises bear higher costs related to late payments and have weaker negotiating position in relation to large enterprises. The first step was to prepare the Green Paper concerning payment gridlock which contained proposals and examples of legal solutions from various countries.

Consultations of the Green Paper confirmed that payment gridlock is a significant problem for Polish entrepreneurs. It is so important that it requires the well-thought-out but also strong intervention of the legislator. In the course of consultations the key proposals of the Green Paper gained the support of entrepreneurs. The positive reception of the proposed solutions was also confirmed by the survey of the Polish Agency for Enterprise Development targeted at business. On the basis of the results of the conducted consultations and analyses the draft act amending certain acts in order to cut down payment gridlock was prepared. It was sent for inter-ministry consultations, evaluations and public consultations.



The works on the preparation of solutions concerning the issues of class actions were initiated. The need of activities in this respect is conditioned by the fact that legal protection for SMEs and consumers suffered the loss on a massive scale due to the infringement of the competition law and consumer protection law must be enhanced. Regulations should strengthen the position of SMEs and consumers in the case of damage caused by the infringement of the competition law and consumer protection law. Another problem is the need to strengthen the position of consumers or contractors of large entities operating via subsidiaries (project finances). It results from the capital groups' practice of creating the so-called "centres for loss" - subsidiaries established only to bear business risk, without measurable profits. As a consequence, the company is unable to pay its obligations. Hence, conceptual works on the draft act on piercing the corporate veil are in progress. The essence of the Act is to introduce the civil liability of a parent company for damage caused by their subsidiaries to third parties.

#### **4.1.2 Non-legislative actions for the better law**

As part of implementation of the Strategy for Responsible Development (SRD) the works in the area of improving the quality of entrepreneurs' regulatory environment are being continued. In particular, the strategic project "The development of the impact assessment system and social participation in law-making" is being implemented. The Ministry of Entrepreneurship and Technology established a cooperation with the European Commission in developing the methodology of estimating the cost and benefits of the regulation. The cooperation will result in the report prepared by external experts appointed by the Commission. It will contain the review of the impact assessment system in Poland and recommendations concerning its improvement. Furthermore, the data base with estimated costs (including those concerning time) related to the standard activities performed by entrepreneurs in order to implement administrative procedures will be prepared. The data estimated in the basis of, inter alia, interviews with entrepreneurs will be used in everyday practice of creating regulation impact assessments and as a consequence - contribute to the identification and reduction of excessive and inadequate regulatory burdens imposed on entrepreneurs by the legal system.

On the websites of the Ministry of Entrepreneurship and Technology there is a list of entities to be used in the process of public consultations concerning legislative proposals, with special reference to organisations representing entrepreneurs. The list which is continuously updated is to support the section of entities for consulting legislative proposals. It includes the organisations which participated in consultations, the cooperation with central authorities is stated in their statutes or they express interest in consultations on their own.

On 30 April 2018 the fundamental provisions of the package of acts prepared as part of the above-mentioned "Constitution for Business" entered into force. Then the Entrepreneurs' Law Act and the Act on the Ombudsman for Small and Medium-sized Enterprises, among others, came into effect. The Ombudsman is expected to be an institutional guarantor of principles and rights expressed in the Entrepreneurs' Law, i.e. Inter alia, the principle of freedom of economic activity, the principle of improving entrepreneurs' trust to public authorities, the principle of impartiality and equal treatment. Under statutory task the Ombudsman will cooperate with non-governmental organizations in order to protect entrepreneurs' rights, he will also help in organising mediations between entrepreneurs and public administration bodies. The Entrepreneurs' Law Act determined principles of developing drafts of normative acts related to the commercial law. The legislator, before the works on developing a draft of a normative act commence, is to analyse possibilities of achieving the pursued objectives by the other method than legislative intervention. The statutory obligation to prepare social and economic impact assessment which is to include the impact on micro-enterprises, small and medium-sized entrepreneurs as well as the obligation to carry out an analysis as to whether the draft act is compatible with the

provisions of the act (compliance test with the Entrepreneurs' Law) arose. The draftsman was obliged to minimize administrative burdens imposed on entrepreneurs and strive for limitation of imposing information obligations. The Ombudsman of Small and Medium-sized Enterprises may request the competent minister to prepare the evaluation of functioning of a normative act if, in connection with its application, significant discrepancies in the interpretation of the law become known or there is a significant risk that this normative act causes negative economic or social effects. At the same time, pursuant to the Entrepreneurs' Act imposed, ministers managing government administration domains are obliged to carry out current reviews concerning the functioning of normative acts related to economic activity and submit to the Council of Ministers the information on actions taken as a result of such a review every year.

#### **4.1.3 Reporting obligations of entrepreneurs**

Reporting obligations are imposed on entrepreneurs by public authorities by virtue of law. Official studies of the scale of reporting obligations of Polish entrepreneurs towards public institutions are not carried out. Entrepreneurs submit a large number of various questionnaires, forms, reports, declarations etc. to fiscal and tax authorities and to statistical offices.

Numerous reporting obligations are imposed by the Act on public statistics (Dz. U. 2016, item 1068, as amended). The reporting obligations of entrepreneurs were laid down in 2017 in the Statistical survey programme of official statistics introduced by the Ordinance of the Council of Ministers of 28 July 2016 on the statistical survey programme of official statistics for 2017 (Dz.U. 2016, item 1426, as amended). It includes 249 survey topics (in 2016 – 253, 2015 – 248, 2014 – 250, 2013 – 243, 2012 – 246).

SSPOS defines the detailed scope of data collected and entities obliged to report them, inter alia, by types of legal and organisational form or types of activity.

Statistical surveys may be obligatory or voluntary. If a survey has been described as obligatory, entities (excluding microenterprises to the extent covering data for the calendar year in which they started their activity) are under obligation to provide full and exhausting information in the scope, form and on the date requested.

Statistical data is transmitted in reporting forms, statistical questionnaires and surveys or otherwise. The Prime Minister determined, by way of an ordinance of 14 March 2017 (Dz.U.2017, item 837), the model reporting forms, statistical questionnaires and surveys, instructions on their completion as well as the model statistical questionnaires and surveys used in statistical studies defined in the programme of statistical studies of the official statistics for 2017. The ordinance covers over 400 forms.

In 2017 the integrated Base of Reporting Obligations in CSO included:

- about 395,000 national economy operators - legal persons and unincorporated bodies conducting economic activity, participating in at least one statistical study;
- about 234,000 national economy operators - natural persons carrying out economic activity, participating in at least one statistical study;

Public statistics takes actions to reduce the reporting burden on respondents and to facilitate the fulfilment of reporting obligations by introducing online reporting, the use of data from administrative sources, the development of modern data collection technologies such as: CATI –Computer-Assisted Telephone Interviewing, CAII – Computer Assisted Internet Interview, CAPI – (Computer-Assisted Personal Interviewing) a direct interview conducted by the interviewer with the use of a mobile device to fill in an electronic form.

Furthermore, in selecting data source for statistical data in the first place administrative data source are taken into consideration. Only in the situation when there are no such sources or the data contained there do not meet the requirements related to relevancy and quality, official statistics collects data

directly from respondents. The purpose of such assumptions is to relieve respondents from information obligations and fully use the information already contained in administrative systems of data sources and official registers as statistical data.

In general, entities obliged to submit specific reports submit them electronically via the Reporting Portal of the Central Statistical Office<sup>65</sup>. Entrepreneurs who employ up to 5 persons may submit statistical data in hard copy, having informed the statistical office about the selection of this form of delivery.

Apart from statistical obligations resulting from official statistics research, the Polish law provides for a large number of administrative reporting obligations imposed by administration bodies, including, inter alia, NBP, tax authorities.

In 2016 the provisions of the Tax Ordinance imposed the obligation of providing treasury control bodies with detailed tax data on entrepreneurs. The information must be generated and sent in electronic form in the so-called "Single Control File" (SCF) format. Taxpayers who keep VAT accounts using computer software are obliged to provide monthly information about the accounts in the form of SCF without the tax authority's request. The largest taxpayers have been submitting information since 1 July 2016; small and medium-sized enterprises have been covered by this obligation since January 2017; and microenterprises have been reporting since 1 January 2018.

The Act of 15 December 2016 amending the Accounting Act (Dz. U. 2017, item 61) introduces new reporting obligations in 2017, which will cover large entities, i.e. enterprises which annual average employment exceeds 500 persons, annual balance sheet total exceeds PLN 85 million or net revenues are over PLN 170 million per year. This means that in Poland the reporting obligation covered about 300 enterprises, mostly those operating on the financial market, including, inter alia, banks, insurance companies, issuers of securities as well as large corporate groups which will be obliged to make public their activities, taken in such areas as ethics and human rights, fighting against corruption, staff-related matters or environmental protection. The Act implemented the provisions of Directive 2014/95/EU of the European Parliament and the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. The provisions entered into force on 26 January 2017 and apply to reports drawn up for fiscal year starting on 1 January 2017 or after this date. According to the implemented principles, in the report companies will have to make public the data concerning their activity in four areas: environmental protection, ethics and human rights, staff-related matters, effect on the environment and fighting against corruption. In addition, listed companies employing more than 250 persons will have to disclose the information on diversity of employment (including aspects such as sex, gender, geographical origin, education and professional experience) in their reports.

#### 4.1.4 Audits and supervision over entrepreneurs

In 2017 the basic regulations related to the control of the entrepreneur's economic activity were contained in the Act of 2 July 2004 *on the freedom of economic activity* (Dz. U. 2017, item 460). The Act specified, inter alia, principles and mode of carrying out controls, obligations and rights of entities carrying out control.

Taking into account the number of entities that are authorised to control enterprises and the difficulties presented by the generalisation of trends in this regard, the data pertaining to control procedures conducted by selected institutions, i.e. **the National Labour Inspectorate, the Office of Competition and Consumer Protection and the Trading Standards Association** as well as information on fiscal control are presented below.

---

<sup>65</sup> <https://raport.stat.gov.pl/>

With respect to tax inspections it must be mentioned that since 1 March 2017, pursuant to the Act of 16 November 2016 Regulations implementing the Act on the National Revenue Administration, tax inspection offices have been liquidated and tax inspection bodies have been abolished. They were replaced by tax and customs and new organs were established, i.e. heads of tax and customs offices who nowadays carry out, inter alia, the previous tasks of tax inspection.

Compliance with labour law, in particular with the regulations and rules of occupational health and safety, is supervised and controlled by **the National Labour Inspectorate**. In 2017, the inspectors of the National Labour Inspectorate conducted about 80.8 thous. inspections (at about 63.6 thous. employers and other entities for which about 4 million people performed work). In connection with the revealed breaches of the regulations concerning occupational health and safety, more than 306 thous. decisions were issued, i.e. 1.5% less than in 2016.

In 2017 regional labour inspectors issued 7 decisions ordering the cessation of business activity or activity of a certain type (in 2016 the number of such decisions was 8). The decisions concerned the companies from the following sectors: manufacturing (5), construction (1), professional activity (1). During the reporting year, apart from the decisions relating to occupational safety, inspectors issued 6,600 decisions ordering the payment of remuneration or other benefits arising from the employment relationship. These decisions concerned the receivables for 61,000 employees, amounting in total to PLN 130 million. In addition, inspectors filed 279,300 requests in resolutions and issued 12,200 verbal instructions to the controlled entities.

Labour inspectors found the cases of illegal employment, consisting in entrusting work without confirming the employment contract in writing and failure to report the person employed or performing other gainful work for social insurance, in 24% audited entity (in 2016 - in 35%).

In 2017, 40 complaints were filed with Voivodeship Administrative Courts against decisions and 17 resolutions of regional labour inspectors.

In 2017 the Office of Competition and Consumer Protection conducted 162 proceedings pertaining to general security of products, of which 101 were completed. The products which were controlled most frequently included clothes for children (59). Out of 58 issued decisions the President of the Office imposed particular obligations on entrepreneurs in 6 cases and penalty payments in 12 cases. At the same time, in 2017, due to complaints and possible lethal effects of failure to meet the relevant technical requirements, examinations of carbon monoxide detectors were carried out in specialised laboratories.

In 2017 the Office of Competition and Consumer Protection conducted 438 proceedings pertaining to the conformity assessment system; 304 of which were completed. As every year, the products which were examined most frequently included toys (182), electrical equipment (82), and this year - power tools. 689 products (including toys in terms of the presence of non-authorised chemical substances or building as well as electrical equipment, power tools, personal protective equipment) were subjected to laboratory examinations, negative results were noted in the case of 246 products (35.7%). As a consequence, the President of the Office issued 335 decisions, while in 42 cases he imposed obligations specified in the Act on entrepreneurs. As a result of actions taken by the Office of Competition and Consumer Protection only in three sectors mentioned above (toys, electrical equipment, power tools) over 127,000 products which did not meet legal and technical requirements in force were removed from trading.

In 2017 voivodeship inspectorates of the Trading Standards Association conducted over 7,800 planned audits on request of the Office of Competition and Consumer Protection, of which most were related to agri-food products (2,400) as well as to other non-food products and services (1,300). In thematic terms,

a total of 17 nationwide inspections of agri-food products were performed in 2017, their aim being to disclose any possible adulteration of foodstuffs. Also, 13 nationwide thematic audits of non-food products and services were conducted.

The Trading Standards Association also performs the tasks of the Office of Competition and Consumer Protection in cases related to fuel quality control. In 2017 939 fuel samples (petrol and diesel fuel) were examined. Among them, 2.34% did not satisfy quality requirements. The data presented pertains to the control exercised under the monitoring of the quality of liquid fuels. In relation to liquefied gas (LPG), irregularities were found in 2.38% of 420 collected samples. Taking into account the results of controls conducted in 2017, one must conclude that the quality of LPG in Poland has worsened. In the case of liquefied fuels, the quality diesel oil has worsened, while petrol results show improvement in the quality of this fuel compared to the previous year.

Under activities of tax inspection (to 28 February 2017) and tax and customs offices, in 2017 the total of 4,271 controls concerning taxes were carried out. As a result, irregularities causing tax losses at total amount of over PLN 14.7 billion were detected. In 2017 tax arrangements mainly referred to VAT (88.4% of arrangements in total), followed by corporate income tax (8.2%), personal income tax (1.8%) and excise duty (1.3%).

Industries characterised by particular risk of tax irregularities include, as in 2016, fuel and electronic industries.

Additional budget revenue resulting from the activity of customs and tax inspection amounted to PLN 1.74 million (an increase by 50.3% compared to 2016), while the amount of withheld VAT return or reduced VAT returns (before or after the return) was over PLN 1.5 billion in total.

It must be added that the Entrepreneurs' Law Act of 6 March 2008 (Dz.U. 2018, item 646) in Chapter 5 determines restrictions concerning the control of economic activity. All kinds of restrictions specified in the Entrepreneurs' Law have a positive impact on preventing from interference in the freedom of economic activity. These restrictions mainly concern the number of economic activity controls, their intensity or the manner of carrying out.

The Entrepreneurs' Law Act mostly only organises the issues related to the control contained in the previous Act on the freedom of economic activity which was amended in this respect by the Act of 16 December 2016 amending certain acts in order to improve legal environment of entrepreneurs (Dz.U. 2016, item 2255) which entered into force on 1 January 2017. Then the provisions related to, inter alia,

- necessity of carrying out the analysis on the likelihood of law infringement as part of the activity before carrying out the control;

- principles of making a control book available (in particular in electronic form);

- the prohibition of supplementary control covering the same subject matter were added.

The institution of complaint with the administrative court on the lengthiness of control (Article 59(14) and (15)) was retained (also introduced on 1 January 2017).

Pursuant to these provisions, in the event of the lengthiness of control activities, the entrepreneur may file with the administrative court a complaint on the lengthiness of control. Filing a complaint with the court does not prevent control activities. The provisions of the Act of 30 August 2002 - the Law on proceedings before administrative courts concerning a complaint on the lengthiness of proceedings apply accordingly to this complaint (Article 59(15) thereof).

#### **4.1.5 Labour law and social insurance**

Labour law and social insurance law have been recently amended in the manner favourable for entrepreneurs and employees.

The following amendments were introduced to labour law in 2017 and the first half of 2018:

- **Minimum hourly rate for particular civil law contracts** - mandate contracts (Article 734 of the Civil Code) and service contracts to which the provisions on mandate apply accordingly (Article 750 of the Civil Code) which became effective on 1 January 2017 (the Act of 22 July 2016 amending the Act on minimum remuneration and certain other acts (Dz. U., item 1265, as amended). The regulation aims at preventing the abuse of civil law contracts and protecting persons receiving remuneration at the lowest level. Pursuant to the statutory provisions, the rate is subject to annual indexation to the extent compatible with an increase in minimum remuneration.
- **The Act of 7 April 2017 amending the Act on employment of temporary workers and certain other acts** (Dz. U. 2017, item 962), which has been effective since 1 June 2017, except the part of the provisions of the Act on employment promotion and labour market institutions, which will enter into force on 1 January 2018. The Act introduced solutions aimed at improving the standards of temporary work; improving the conditions of employment of temporary workers and the legal safety of employers of persons using the services of temporary work agencies; as well as improving the efficiency of inspections carried out by the National Labour Inspectorate. The main changes include determination of the limits of temporary work both for temporary work agencies and for employers; introduction of increased protection of pregnant employees performing temporary work, introduction of an obligation for employers to present the content of internal regulations to the temporary work agency with regard to remuneration and to notify the temporary work agency of any changes to such regulations; extension of the legal protection of temporary workers, etc.
- **The Act of 10 January 2018 amending certain acts in relation to the shortening of the retention period of employee files and their digitalisation** which amends, inter alia, the Labour Code. The Act will become effective from 1 January 2019 (Dz. U. of 2018, item 357). It provides for, inter alia, shortening of the retention period of employee files (as a rule, from 50 to 10 years) as well as the possibility of maintaining such documentation in the paper or electronic form and the change in the form of the documentation maintained. Furthermore, changes concern the manner of salary payment. As a rule salary will be paid to the bank account. The personal receipt of the salary will be possible only on the employee's request.
- **The Act of 10 January 2018 on limiting trade on Sundays, holidays and certain other days** (Dz. U. of 2018, item 305) which entered into force on 1 March 2018. The Act provides for the prohibition of trade and trade-related activities in shops on Sundays and holidays as well as the prohibition of delegating work in trade or performing trade-related activities to the employee or the person employed as well as derogation to these prohibitions.

The following amendments have been made with regard to social insurance:

- **Ordinance of the Minister of Family, Labour and Social Policy of 16 February 2017 amending the Ordinance on the determination of model forms of registration for social insurance and health insurance, personal monthly reports and corrective personal monthly reports, remitter's registration forms, statements and corrective statements, notification of data about work in special conditions or of special nature and other documents** (effective as of 1 March 2017). It introduced a new code for the reason for deregistration of an insured 800 – deregistration of an employee due to the fact that their work place was transferred in whole or in part to a new employer in accordance with Article 231 of the Act of 23 June 1974 - Labour Code (Dz. U. 2016, item 1666, as amended). As a result, Social Insurance Institution knows about the termination of the previous employment relationship due to the fact that the employee was taken over by a new employer, which allows for the monitoring of the flow of employees and for the ongoing control and analysis of the correct fulfilment of social insurance obligations.
- **The Act of 21 April 2017 amending the Act on cash benefits under social insurance in case of illness and childbirth and certain other acts**, which introduced a new method of authorisation of

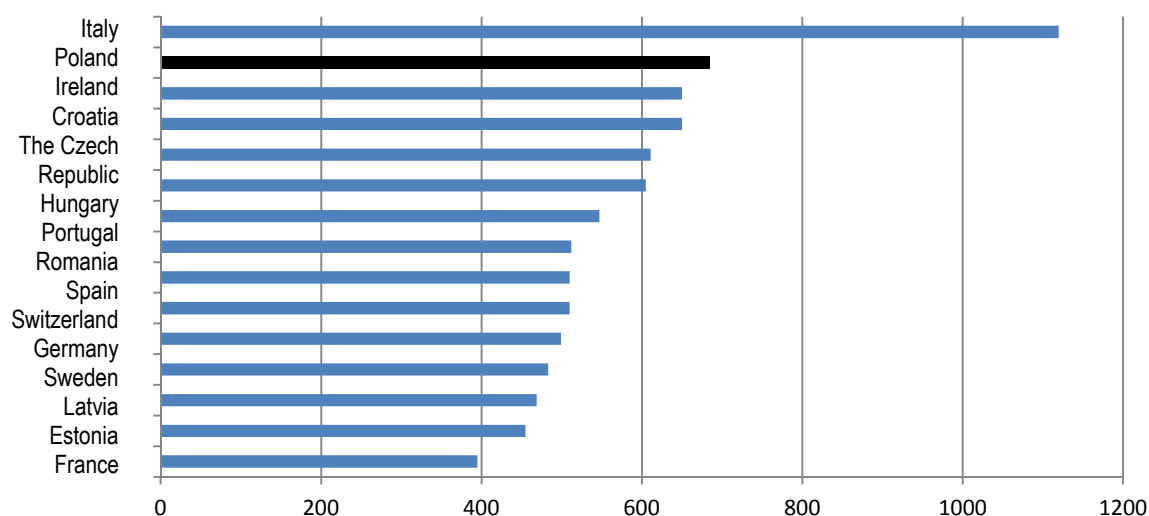
digital certificates of temporary unfitness for work issued by doctors (entry into force on 1 December 2017). The aim of the amendments is to encourage doctors to issue digital certificates which would enable employers to faster learn about the unfitness for work of their employees and the duration of such unfitness, which in turn would support organisation of work and reduce the number of situations requiring recalculation of the sick benefit or care benefit due to late submission of the certificate to the remitter by the insured.

- **The Act of 11 May 2017 amending the Act on the social insurance system and the Act amending the Labour Law and certain other acts** (Dz. U. item 1027), under which each entrepreneur will have an individual contribution account to which they would pay all amounts for the collection of which the Social Insurance System is obliged. Instead of the current three or four payments, entrepreneurs will now make a single payment. A single payment to the Social Insurance Institution will replace the current contributions for social insurance, health insurance, Labour Fund and Guaranteed Employment Benefit Fund, as well as Bridging Pension Fund. Moreover, the Act provides for e.g. facilitations for contribution remitters in terms of issuing clearance certificates by the Social Insurance Institution for such remitters, e.g. for the purposes of tender procedures, by equalling in legal terms the certificates issued in hard copy and the printouts of electronic versions generated by the remitters themselves from the digital systems of the Social Insurance Institution. The Act also provides for staff outsourcing in order to reduce the burden of contributions for entrepreneurs who used such solutions by enabling the Social Insurance Institution to reclassify the already made payments to the accounts of the actual remitters, thus reducing their arrears related to contributions. The provisions governing introduction of individual contribution accounts entered into force on 1 January 2018, while the remaining provisions of the Act, such as those referring to clearance certificates or outsourcing, became effective 14 days after the publication of the Act, i.e. on 13 June 2017.

#### **4.1.6 Functioning of the judiciary**

The quality, efficiency and independence of the judiciary are the key factors of business activity. Matters related to the settlement of disputes or the lengthiness of proceedings are of fundamental importance for entrepreneurs. Although a number of measures have been initiated in recent years to increase the effectiveness of the enforcement of rights arising from contracts, according to the World Bank report the quality of enforcing contracts measured by average time to resolve a commercial dispute through the courts is one of the poorest in the European Union.

**Chart 27. Average time required to enforce a contract through the courts in selected countries (in days)**



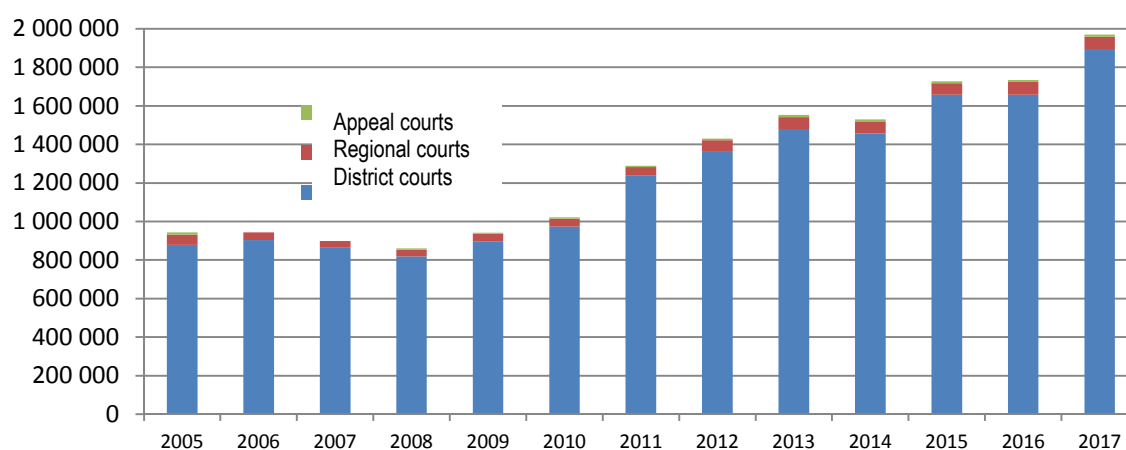
Source: *Doing Business 2017 report, World Bank.*

In 2017 over 2 million business cases were filed to common courts of law (an increase by 13%). The greatest increase in cases was recorded in district courts (by 14%). 19% more payment orders and writs of payment were filed with these courts and 17% more cases concerning bankruptcy and reorganisation proceedings. In district courts the number of cases increased by 3.6% and there highest rise in the number in filed appeals in the second instance (by 15%).

The significant drop in the inflow of cases (by almost 60%) was recorded by the Court for Competition and Consumer Protection. This situation was caused by the amendment of the Act of 16 February 2007 on competition and consumer protection (Dz. U. Of 2018, item 798, consolidated text). Pursuant to Article 23b(1), the President of the Office for Competition and Consumer Protection by administrative decision decide that the provision of a standard contract is unlawful and prohibit its further use. This relieved the Court for Competition and Consumer Protection which so far has ruled on regarding a given provision of a standard contract as unlawful and prohibited its use. At the same time, this was a clear signal to entrepreneurs to accurately and carefully formulate the content of contracts concluded with consumers, because introduced changes will certainly have a positive impact on the duration of controlling standard contracts.



**Chart 28. Inflow of business cases by court category**



Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of the Ministry of Justice data.

**Table 17. Inflow of business cases in 2008-2017**

Specification	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>TOTAL BUSINESS CASES</b>	861,059	945,366	1,025,815	1,295,324	1,444,597	1,594,515	1,629,573	1,729,953	1,737,307	1,970,933
<b>TOTAL courts of appeal (second instance)</b>	5,992	6,279	6,352	6,987	7,805	11,474	14,150	10,751	11,505	11,479
<b>TOTAL regional courts</b>	35,109	41,599	41,199	43,781	56,546	60,598	59,868	59,405	65,571	67,963
<b>Contentious (first instance)</b>	7,932	9,328	9,607	9,972	13,628	16,506	15,621	15,367	15,499	15,337
<b>payment order and writ of payment (first instance)</b>	8,339	12,632	12,305	13,335	19,174	19,021	17,165	15,518	19,727	20,683
<b>Appeals (second instance)</b>	6,627	7,048	7,462	8,076	10,079	10,175	11,382	12,535	13,716	15,781
<b>Complaints (second instance)</b>	7,235	7,456	7,054	8,034	9,069	9,923	10,396	10,899	11,541	11,444
<b>complaints against legal proceedings "S" list (second instance)</b>	76	95	122	187	223	318	435	465	411	435
<b>Court for Competition and Consumer Protection</b>	888	2,816	4,538	6,524	14,449	41,556	3,617	2,409	2,327	938
<b>TOTAL district courts (first instance)</b>	819,019	894,616	973,654	1,237 913	1,365 652	1,480 719	1,551,754	1,657,179	1,657,695	1,890,364
<b>contentious</b>	28,986	35,128	36,114	42,352	87,829	104,364	110,865	129,011	141,840	158,180
<b>contentious (simplified)</b>	22,096	26,339	29,357	32,503						
<b>registry - in total</b>	528,118	538,063	552,139	584,176	638,504	710,908	821,799	876,996	945,277	1,060,957
<b>payment order and writ of payment</b>	211,183	262,916	324,638	544,455	597,323	603,239	558,360	583,908	511,666	610,207
<b>bankruptcy and reorganisation proceedings</b>	6,854	8,638	8,662	8,401	10,615	11,447	10,887	18,781	24,259	28,536

Source: Ministry of Justice

### **Legislative changes aimed at improvement of operation of commercial courts<sup>66</sup>**

#### **Changes in company law and court registers**

On 15 march 2018 the Act of 26 January 2018 amending the Act on the National Court register and certain other acts (Dz. U. Of 2018, item 398, as amended) entered into force.

<sup>66</sup>Since the presentation of the previous report.

This Act is another stage of the commercial law reform related to the National Court Register introduced by the Ministry of Justice.

The Act provides for solutions concerning the operation of the National Court Register which make commencing and conducting economic activity easier as well as significantly accelerate and facilitate activity of register courts.

The introduced provisions envisage the automation of entries into the national Court Register. Such a solution will result in a significant relief of courts, with which a huge number of applications for the entry of information on submitting annual financial statement is filed every year; thereby it will allow for the acceleration of hearing other cases for the entry and changes in the register.

Other changes which will enter into force on 1<sup>st</sup> March 2020 include, inter alia:

- creating the publicly available electronic files of entity which will cover all documents filed therein by parties and documents produced by the court as well as the growing use of possibilities related to electronic delivery of court documents, including the introduction of possibility of online following the course of proceedings on a regular basis, which is also connected with the possibility of obtaining the information on entries thanks to the voluntary newsletter service;
- online accessibility of full data on entities entered into the National Court Register which means that stakeholders will have an easier access to data on a particular entity already from its establishment. Furthermore, courts will be relieved from obligations related to making registration files accessible.

The works on the following drafts are in progress:

- The Act on the National register of Debtors which contains solutions facilitating the operation of the judiciary in reorganisation and bankruptcy proceedings;
- The Act amending the Act - the Code of Civil Procedure and certain other acts which provides for changes in provisions of the Code of Civil Procedure consisting in, inter alia, the introduction of the separate proceedings in commercial cases. The main purpose of the draft regulations is to lead to the condition in which commercial cases will be heard faster than other civil cases. At the same time, due to the fact that as a rule professional entities are parties to such proceedings, more stringent requirements and procedural regimes may be imposed on them. In order to accelerate proceedings the draft provides for, inter alia, the shortening of certain deadlines binding for the parties, the introduction of time limitations in invoking allegations and evidence, the restriction of incoming cases which can be solved by negotiations, the introduction of the possibility establishing security for a judgement before its become final and binding, providing the primacy of documentary evidence and the introduction of the so-called evidence contract.

## **4.2 Financing business activity**

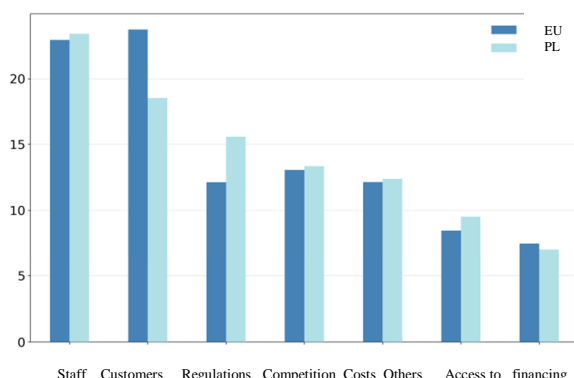
### **4.2.1 Financial gap**

Financial gap, in the context of financing economic activity, is commonly understood as the difference between the supply of funds available for enterprises and the demand reported for such funds. However, such a broadly understood gap consists of two different elements: 1) economic undertakings which could prove to be cost-effective - and in this case we deal with market failures, usually resulting from the phenomenon of information asymmetries and 2) such undertakings, in the case of which the refusal of granting support by the entity having funds (e.g. bank, public institution, PE/VC fund) is - in the light of objective features of a given undertaking - rational not only from the point of view of this entity and its risk assessment model but also the entire economic system. The cases of market failure constitute a problem for the economic policy. Thus, we may speak of financial gap in particular in situations in which:

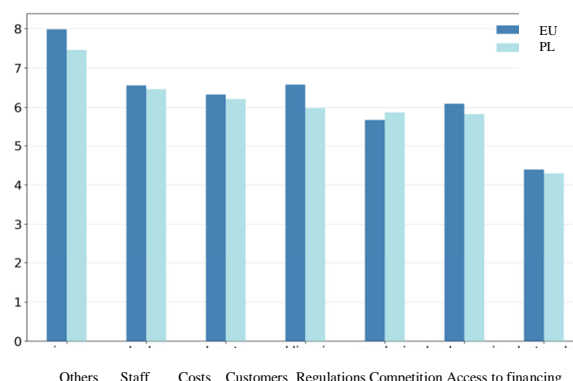
1. an enterprise in a good economic situation, despite of applying for funding an undertaking which is rational in economic terms and bears a typical risk, does not receive funds or receives them on worse conditions or in a reduced amount,
2. an enterprise in a good economic situation, despite of identifying an undertaking which is rational in economic terms but cannot be financed from own resources, does not apply for external funds (discouragement effect),
3. an enterprise which is illiquid but economically effective cannot receive funds restoring liquidity and allowing for taking necessary curative actions,
4. an enterprise in good economic condition cannot obtain financing for a higher risk investment project due to higher than average risk level of the project or unfavourable relation of the amount of necessary funding to collaterals at the enterprise's disposal<sup>67</sup>.

Identification and measurement of the gap is an significant and difficult problem of a great practical importance, in particular with respect to small and medium-sized enterprises. The Survey on the Access to Finance of Enterprises (SAFE) held by the European Commission in cooperation with the European Central bank is a cyclical analysis shedding light on the topic and allowing for international comparisons<sup>68</sup>. According to its last edition, currently the access to funding is not a key barrier to the development for the majority of Polish or European enterprises. Winning customers (the percentage of indications in the EU and Poland: 24% and 18.5%, respectively) and qualified staff (about 23%) constitute two main problems. Among options available to choose from in the relevant survey question, the access to financing was selected least frequently, in Poland even slightly rarer than in Europe in general (about 7% of responses).

**Chart 29. The most important problem the enterprise is facing (% of indications)**



**Chart 30. Seriousness of the problem for the enterprise during the last 6 months (1-10 points)**



Source: European Commission, SAFE 2017,  $n(ue) = 14950$ ,  $n(pl) = 1161$

As part of the survey entrepreneurs were also asked for attributing importance levels to particular problems. Also in such formulated question other factors than the availability of financing stand out. In the scale 1-10 it was regarded by Polish entrepreneurs as a bit less important than in the scale of the entire European Union (4.3 and 4.4 points, respectively).

However, the lack of major problems in the scale of the whole economy does not mean that the funding system of economic activity works perfectly. The theses discussed for years, also in the previous edition of the report Entrepreneurship in Poland, are still valid. They concern a relatively larger financial gap (in

<sup>67</sup> NBP, Accessibility of financing of non-financial enterprises in Poland, 2016, p. 13

(<https://www.nbp.pl/systemfinansowy/dostepnosc-finansowania.pdf>, access on 2018-06-15).

<sup>68</sup> [https://ec.europa.eu/growth/access-to-finance/data-surveys\\_en](https://ec.europa.eu/growth/access-to-finance/data-surveys_en)

the strict sense, defined above) in some market segments - i.e. micro-, new enterprises, enterprises without a credit history and high-risk undertakings. Furthermore, the recommended general directions of limiting the gap are in force. These include mainly various manners of limiting information asymmetries and disseminating financing forms alternative to the bank loan, in particular the so-called alternative debt, hybrid solutions and capital market mechanisms.

**Table 18. Financing mechanisms for SMEs**

Instruments of financing assets	Alternative credit	Hybrid solutions	Capital market
Credit / Loan	Corporate bonds	Subordinated loans	Private Equity
Factoring	Covered bonds	Bonds convertible into shares	Venture Capital
Leasing	Crowdfunding (debt-based)	Mezzanine	Business Angels
Trade credit	Securitisation		Crowdfunding (equity)

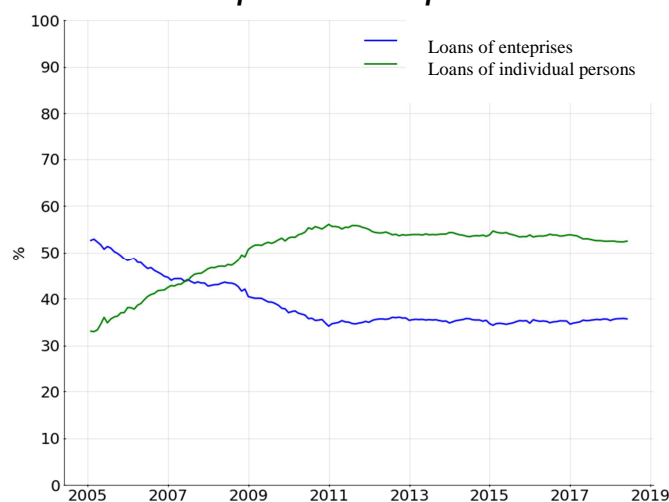
Source: Prepared by the Ministry of Entrepreneurship and Technology on the basis of OECD Economic Surveys Poland 2018 <http://www.oecd.org/poland/economic-survey-poland.htm>

#### 4.2.2 Bank loans

In Poland own resources of enterprises are the source of financing for over 77% of the value of investments in fixed assets and intangible assets. In 2017 by means of domestic and foreign bank loans investment expenditure amounting to PLN 17.7 billion was financed, which accounted for 10% of outlays, confirming the role of the loan as the second important source of investment expenditure<sup>69</sup>.

The share of corporate loans in total number of bank loans for real market economy entities (i.e. excluding banks and the government) had been consistently decreasing until 2011, when it stabilised at the level of about 35%. This resulted from the dynamic growth in consumer and mortgage loans for individuals.

**Chart 31. Share of private and corporate loans**



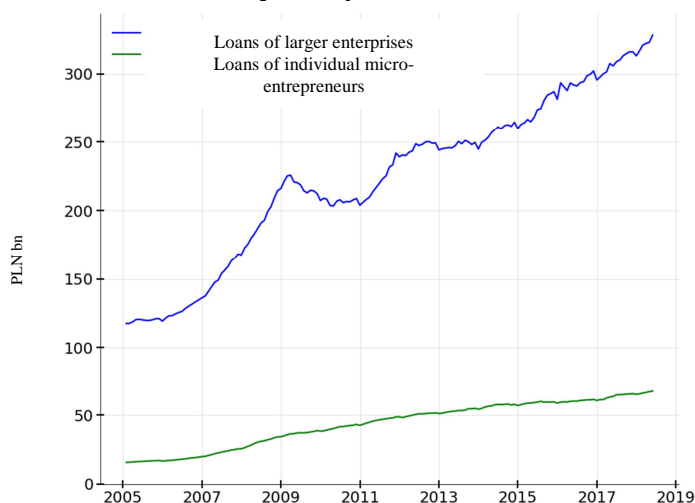
Source: The Ministry of Entrepreneurship and Technology on the basis of the NBP data

<sup>69</sup> CSO, Fixed assets in the national economy in 2016, <https://stat.gov.pl/obszary-tematyczne/przemysl-budownictwo-srodki-trwale/srodki-trwale/srodki-trwale-w-gospodarce-narodowej-w-2016-roku,1,14.html>, dostęp 2.07.2018 r.

Data concerns only enterprises employing more than 49 persons employed. Data for the entire population of enterprises would probably point to even higher share of won funds.

At the end of May 2018, total corporate loans granted by banks exceeded PLN 395 billion. Loans for microenterprises account for about 17% of the abovementioned amount. Consequently, also the corporate lending rate as a whole is more closely correlated with the lending rate of larger companies.

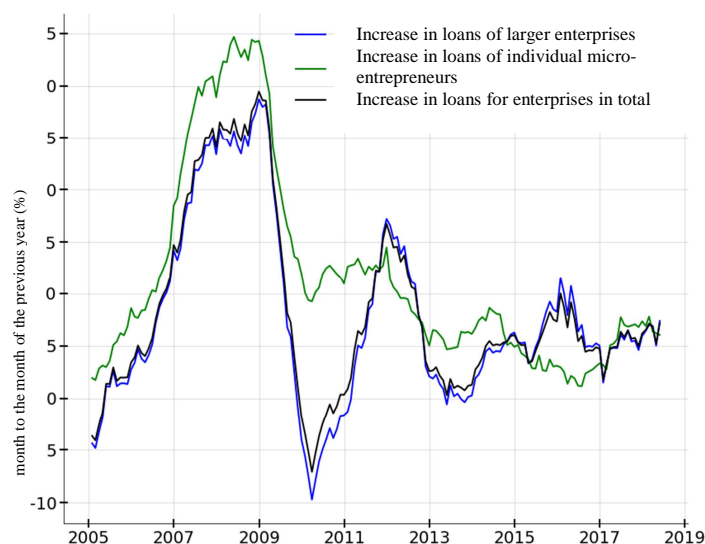
**Chart 32. Loans by enterprise size - value**



Source: The Ministry of Entrepreneurship and Technology on the basis of the National Bank of Poland data.

Between May 2017 and May 2018 the value of bank loans for enterprises nominally increased by 7.14%, whereas in the case of larger enterprises by 7.37% and individual entrepreneurs by 6%. In the previous analogous period these numbers amounted to 4.9% for the total of enterprises, 4.8% for larger enterprises and 5.6% for individual entrepreneurs.

**Chart 33. Loans by enterprise size – growth rate**



Source: The Ministry of Entrepreneurship and Technology on the basis of the NBP data.

In the loan structure by type for all enterprises overdrafts still had the highest share at the end of May 2018 (44.11%). In comparison to May 2017 their share increased by over 0.7 p. p. The share of loans for the purchase of real estate rose by over 1 p.p. to the level of 17%, while the share of investment loans dropped by a similar number, to the level of 35%. However, it is worth noticing that the structure of loans does not full reflect objectives for which companies allocate the obtained capital (e.g. part of entrepreneurs fund investments under an overdraft).

### 4.2.3 Leasing

Leasing is a civil law contract under which the lessor offers the right to use specific assets to the lessee in return for payments in the form of lease instalments. After bank credit, leasing is the most common external source of investment financing for Polish enterprises. At the end of 2017, total value of the active portfolio in the leasing sector amounted to PLN 119.3 billion, which was comparable to the balance of bank investment loans as of the same day (PLN 127 billion). During the year, lessors financed investments amounting to PLN 67.8 billion, which was a nominal increase by 15.7%. This growth rate is very similar to the high multi-year average growth rate.

**Table 19. Leasing structure in 2017**

Assets financed by the leasing sector in 2017 (total: PLN 67.8 million)		
Type	Share	Change y/y
Passenger cars, delivery vans and trucks up to 0.5 tonne	45 %	22 %
Heavy vehicles (tractors, heavy duty vehicles, buses etc.)	25.9 %	2 %
Machinery and equipment (industrial, construction, agricultural, medical, IT)	27.2 %	20 %
Real estate	1.34 %	26 %
Other	0.55 %	3.6 %

Source: Polish Leasing Association ([www.leasing.org.pl](http://www.leasing.org.pl)).

Leasing services are mainly used by microenterprises and small enterprises. According to the estimates in the industry, 70% of its value are services for enterprises with annual turnover lower than PLN 20 million. Taking into consideration high domestic demand, the capacity utilisation rate by enterprises, rebound in construction production and recovery of investment, including infrastructural ones financed by EU funds, the industry expects that 2018 will be the sixth year in a row with a two-digit growth rate, and machines and other devices will become the main engine of growth.

### 4.2.4 Stock Exchange

On the main market of the Warsaw Stock Exchange 473 companies were listed as of the end of June 2018, which was 9 less than at the end of 2017 and 14 less than the year before. In 2017 the number of debuts amounted to 15, whereas 20 companies exited the stock exchange. Debuting companies acquired PLN 7.6 billion, significantly more than in 2016 when the value of financing for 19 issuers amounted to PLN 1.09 billion.

In 2017 return on the main indices was generally higher than in 2016, while between January and June 2018 indices reported 12-13% decline.

**Table 20. WSE indices value in 2012-2018**

Index/year	2018	2017	2016	2015	2014	2013	2012	2011	2010
WIG20(%)	-13.23	26.35	4.77	-19.72	-3.54	-7.05	20.45	-21.85	14.88
mWIG40(%)	-12.95	14.99	18.18	2.4	4.13	31.06	17.42	-22.51	19.57
sWIG80(%)	-13.06	2.36	7.93	9.11	-15.55	37.28	22.92	-30.47	10.18
WIG (%)	-12.22	23.17	11.38	-9.62	0.26	8.06	26.24	-20.83	18.77

Source: The Ministry of Entrepreneurship and Technology on the basis of the WSE data. The data for 2018 concerns the period to the end of June.

Foreign investors continued to prevail in terms of turnover on the main market with 53% of turnover in 2017 (16% for individual investors, 31% for institutional investors). Individual investors prevail on New Connect (76%), while Polish institutional investors are in the majority on Catalyst (58%).

In 2017, 19 companies had their debut on New Connect, offering shares for the total value of PLN 155 million. It was a significant increase compared to 2016 when 16 issuers obtained PLN 39.3 million in total.

In 2017 21 new issuers appeared on Catalyst to obtain PLN 4.2 billion and EUR 20 million in total. In the case of bonds in Polish zloty this means a significant increase compared to the previous year when 19 issuers introduced to exchange trading bonds with a value of PLN 1.4 billion, whereas in the value of bonds in EUR significantly decreased from 754 billion, but this high value was practically due to one issue of shares of the company Orlen Capital AB. Thus, a few large issues of shares can significantly rise the total value of debuts. In 2017 the largest issues of shares of debuting issuers concerned the companies: PZU (PLN 2.25 billion) and PKO BP (PLN 1.25 billion).

#### **4.2.5 Private Equity/Venture Capital**

The Polish Private Equity (PE/VC) market is under development. The essential legal and organisational structure for the sector operation has been already constructed to a large extent, while in the future the increase in the share of private funds will be necessary. Without the activity of such entities as National Capital Fund, PARP or NCRD which have public funds at their disposal, the market would be much smaller. Change in attitudes of potential investors seems to be a challenge - raising interest in investments in startups in relation to other assets, such as real estate, securities or mature companies, for which appropriate incentives, in particular tax ones, must be provided<sup>70</sup>.

According to the data of Invest Europe\EDC, the value of PE portfolio investment implemented in Poland in 2016 amounted to about EUR 725 million, while the value of exits in the same year was about EUR 363 million<sup>71</sup>. The value of the domestic PE market amounted to about 0.17% of GDP, while it is about 0.33% across the whole Europe (whereas e.g. in Austria this value amounts to about 0.03% and for countries of Central and Eastern Europe - about 0.12%).

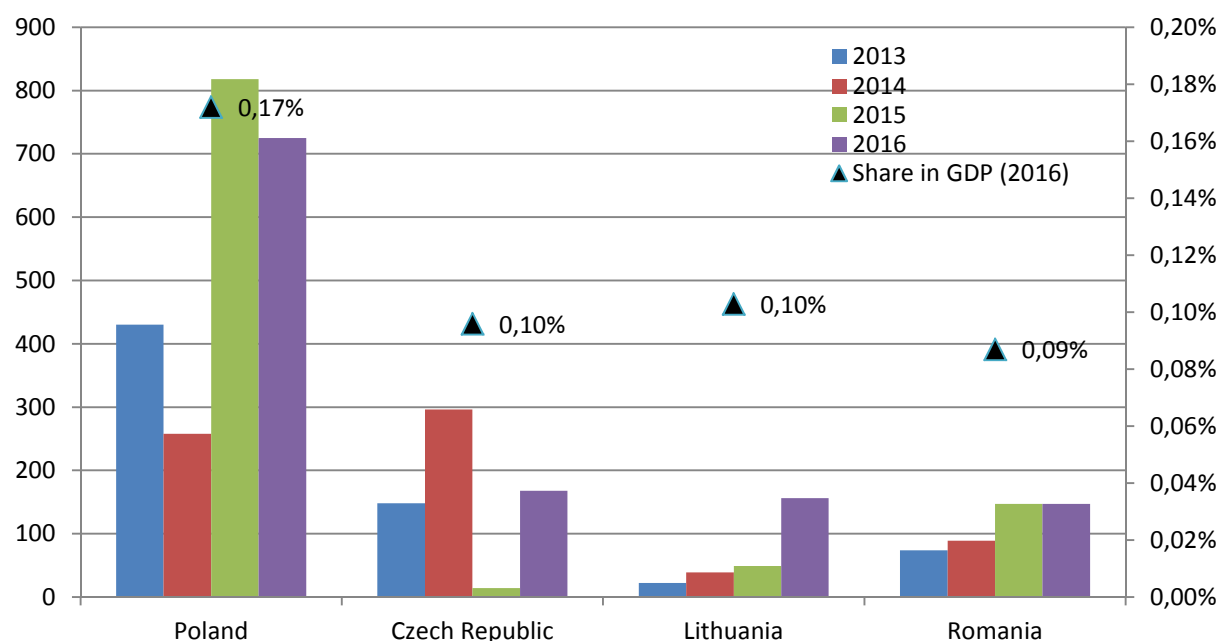
---

<sup>70</sup>See: "Breeding of Polish start-ups" , Dziennik Gazeta Prawna 2018-05-17 (interview with Julia Krzysztofiak-Szopa, president of the management board of the Foundation Startup Poland).

<sup>71</sup> Invest Europe\EDC (2016). *Central and Eastern Europe Statistics 2016*,  
[https://www.investeurope.eu/media/671537/invest-europe\\_cee\\_privateequitystatistics2016\\_24082017.pdf](https://www.investeurope.eu/media/671537/invest-europe_cee_privateequitystatistics2016_24082017.pdf)



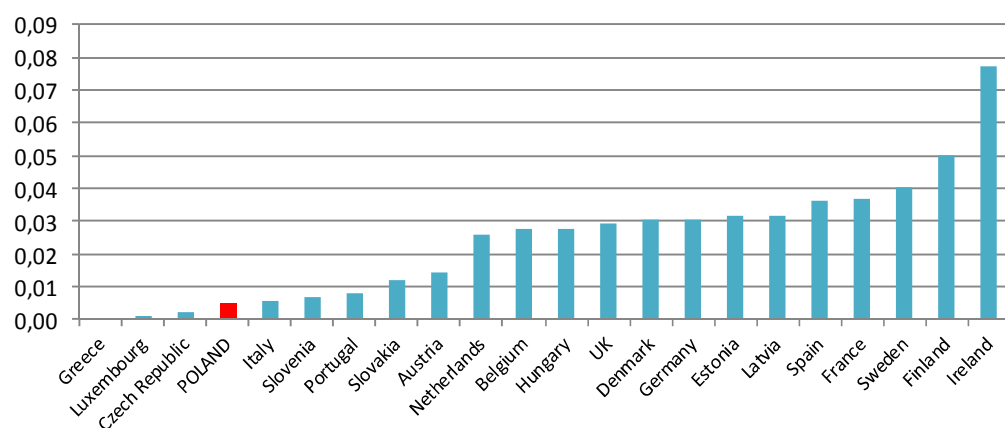
**Chart 34. Private Equity investments in selected countries of Central and Eastern Europe (EUR million)**



Source: Prepared by the Ministry of Entrepreneurship and Technology on the basis of the Invest Europe\EDC data.

The Venture Capital (VC) segment, i.e. the market of investments at the early stages of enterprises' activities is less mature than the whole PE ecosystem. This concerns both the number of investors active on the market, the value of the capital invested and the number of transactions (both entrances and exits). With the VC share in GDP estimated for slightly more than 0.005% of national GDP, we overtake only Greece, Luxembourg and the Czech Republic.

**Chart 35. Venture Capital investments as % of GDP (2016)**



Source: Prepared by EAD of the Ministry of Entrepreneurship and Technology on the basis of the OECD data<sup>72</sup>.

<sup>72</sup> OECD, OECD Economic Surveys Poland 2018, <http://www.oecd.org/poland/economic-survey-poland.htm>

It should be noted that the majority of financing provided for startups by investors (both VC or Business Angels) does not exceed the value of about USD 1 million. So what we face here is small capital entries during both the primary and another rounds of financing, and the dominance of domestic investors is visible, in particular co-financed by public funds. The largest number of supported startups operate in the areas of ICT solutions (including financial technologies), devices (hardware and mobile devices), life sciences and telemedicine.

#### **4.2.6 Loans**

Loan funds have been operating in Poland for about 25 years. They are separated book accounts kept by non-profit organisations, allowing for obtaining external financing both by new and by the already operating enterprises (entered in the Central Registration and Information on Business database or in the National Court Register). The funds do not require a credit history, but potential borrowers should not be registered as a bad debtor. When preparing to take a loan, one should remember to draw up an integral and reasonable business plan and to take potential collateral into account. Repayment should be secured by blank bill of exchange and e.g. a third party guarantee, a pledge on real property or on movables.

The maximum amount of the loan is not clearly determined, which means that the financing may apply to good business ideas amounting to both several dozen and several hundred thousand zloty. Another advantage is the cost, which is limited to interest (no fees for application consideration of application, obligatory insurance etc. apply) and thus it may be minimised. The maximum repayment period is usually 5 years, whereas a grace period is allowed, which is particularly important at the initial stage of operations. Along with the funds, a borrower often receives training support from experts.

In 2017, loan funds granted nearly 5.1 thous. loans for a total amount of PLN 587 million, which was a certain slowdown of dynamics compared to previous year, resulting from the limitation of available loan capital. Average loan value in 2017 was about PLN 115 thous. The least loans were granted in Lubuskie Voivodeship, but the lowest value of financing enterprises by funds was recorded in the Dolnośląskie Voivodeship. The largest number of loans was granted in Pomorskie Voivodeship. Furthermore, it wins in terms of value, but with a smaller advantage over another region (Warmińsko-Mazurskie). Microenterprises receive 89% of total loans and 76% of the value of loans. It is estimated that over 90% of loan capital originates from EU funds.

Apart from loan funds, other entities are of marginal importance in implementation of loan instruments as part of the current financial framework. According to results of tenders on the selection of financial intermediaries announced by the Bank Gospodarstwa Krajowego, the implementation of these instruments would have been impossible without loan funds.

#### **4.2.7 Guarantees**

A well-established formula of portfolio guarantees is the programme of *de minimis* guarantees implemented by Bank Gospodarstwa Krajowego (BGK). From its launch in 2013 to the end of 2017 over 129 thous. SMEs benefited from the programme, and the total of loans secured with those guarantees exceeded PLN 75 billion. However, the programme was not incorporated into the strategic context, it was prolonged year by year by ad hoc decisions and was based on the State budget resources. Hence, in October 2017 the draft act *amending the act on sureties and guarantees granted by the State treasury and certain legal persons as well as certain other acts* was adopted by the Council of Ministers. It provides for the establishment of the National Guarantee Fund in BGK as a financial vehicle providing the assembly of funds from various sources.

Instead of the programme annually renounced by the government decisions, it is expected to introduce the system providing a sustainable, stable access to preferential guarantees enabling to plan the use

guarantee instruments in the strategic perspective, and the volume of guarantees granted should remain on the level similar to previous years (about PLN 9 billion). Instead of the budgetary financing of the total of expenditure and costs related to guarantees granted, combination of funding released from financial instruments under central government operational programmes of the current and previous EU financial framework reallocated from BGK capitals as well as possible voluntary participation of stakeholders in any of the periods will be allowed, while the budget would play the supporting role as a guarantor of the system.

#### **4.2.8 Factoring**

Factoring is a financial activity consisting in the repurchase of trade receivables owed to enterprises from recipients for supplies of goods and services. A factoring enterprise carried out at least two out of the following four activities: finances undisputed and unmatured receivables; is in charge of reporting and accounts of debtors; enforces repayment of the amounts due; and takes over the solvency risk of the recipient. Factors provide enterprises with funds on the basis of unpaid invoices regarding both domestic and exports sales. Enterprises may receive up to 90% of the value of the issued invoices at the time of dispatch of goods (or of the provision of services), and the remaining part is paid after the recipient's payment to the factor's account.

A typical factoring client is an enterprise offering sales with deferred payment, with large demand for flexible financing, closely cooperating with recipients, carrying out an expansive strategy to increase turnover e.g. by applying relatively long payment deadlines.

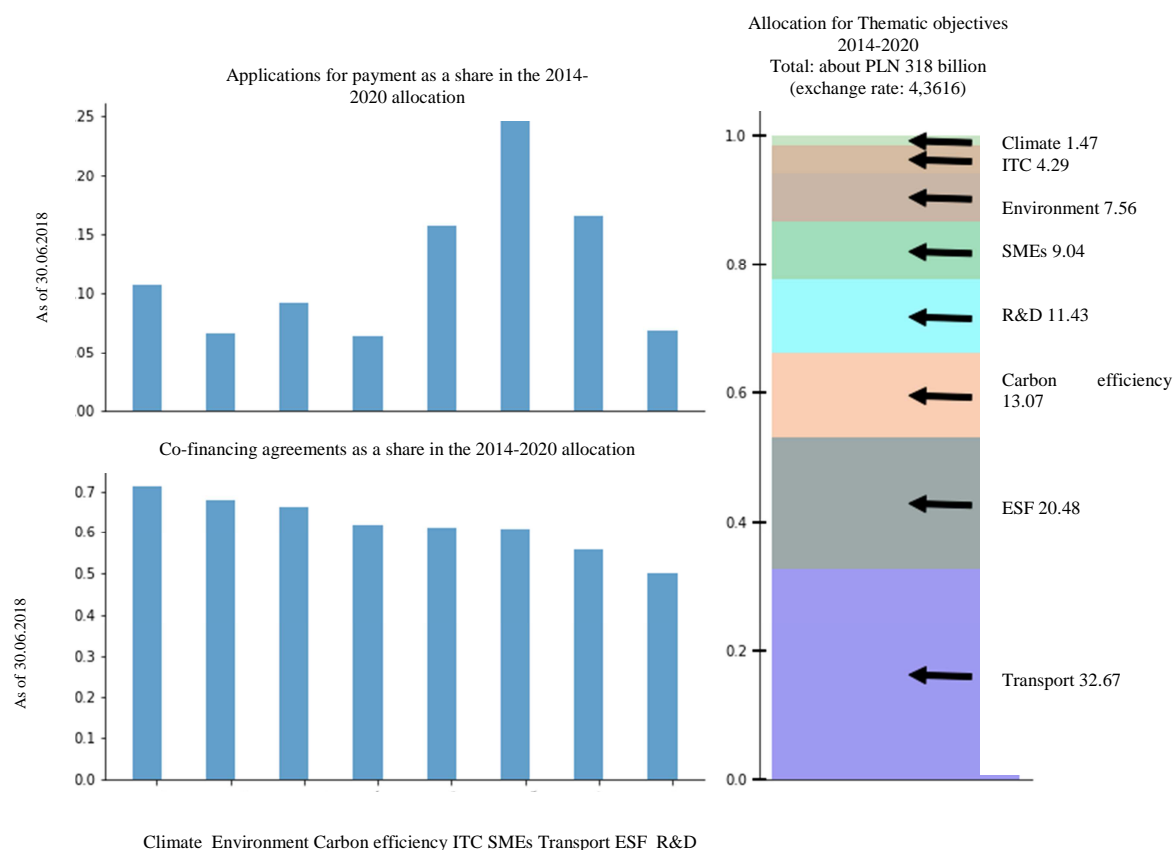
Since 2009, the industry has been growing at a double-digit rate. In 2017 the turnover of enterprises being members of the Polish Factors Association grew by 17% to PLN 185 billion of the financed invoices and the number of clients rose from 8 to 9 thous. companies. Mainly production enterprises (48% of turnover) and distribution enterprises (37%) use factoring services.

#### **4.2.9 EU funds**

In 2017 and the first months of 2018 the implementation of programmes under the 2014-2020 framework accelerated, both in terms of agreements and payments. In new framework larger funds than previously were allocated to purposes related to research and development and broadly understood competitiveness of enterprises.

The support targeted at enterprises was covered under the Thematic Objective 3 "Improving the competitiveness of SMEs, the agricultural sector and fisheries and aquaculture sector". Furthermore, entrepreneurs may obtain the substantial percentage of funds under the Thematic Objective 1 "Supporting research, technological development and innovations". In total, over 20% of the entire funding were envisaged for these objectives. Entrepreneurs seeking funding should interest themselves in the programme Smart Development and regional operational programmes. In addition, a number of opportunities is available for specific types of enterprises - e.g. for the development of telecommunications network, the implementation of environmentally friendly production technologies, setting up economic activity or social economy under other programmes of the 2014-2020 framework.

**Chart 36. Thematic objectives under the Partnership Agreement 2014-2020 and progress of their implementation**



Source: The Ministry of Entrepreneurship and Technology on the basis of the Ministry of Investment and Economic Development data as well as Partnership Agreement. In order to simplify calculations one exchange rate EUR/PL was adopted – the average exchange rate of the National Bank of Poland of 29.06.2018 amounting to 4,3616. Allocation without taking into account the rural programme, technical assistance and mobility, social innovations and transnational cooperation programmes.

Until the end of April 2018 co-financing agreements of about PLN 35.9 billion in total were concluded in thematic objectives 1 and 3, while expenditure shown by beneficiaries in applications for payment amounted to PLN 7 billion.

In all thematic objectives the concluded agreements exceeded 50% of allocation. In terms of applications for payment the objective concerning SMEs with the value of 15.8% of allocation was among three directions for support with the highest pace of implementation (after transportation - 24.9% where the presence of phased projects from the previous framework is of certain importance and ESF - 16.5%).

Among numerous initiatives co-financed from the EU funds special mention should be made of the Programme Start in Poland (described in detail in Subchapter 3.1.3) which is an umbrella for numerous initiatives of the government targeted at start-ups.

## 5. COMPETITIVE POSITION OF THE POLISH ECONOMY

### 5.1 International competitiveness rankings

Over the recent years, Poland's position in some international comparisons and rankings of competitiveness has been systematically improving. This proves that progress has been made and that the implemented changes – including those related to deregulation - are proceeding in the right direction.

Evaluations included in such rankings may be helpful while making investment decisions, but it should be noted that their methodology has certain limitations, and therefore they should be interpreted only in specific contexts.

Evaluations of the competitive position of the Polish economy as compared to other countries, based on a number of selected publications on the subject, are presented below.

#### 1. “Doing Business 2018” – the World Bank Group<sup>73</sup> Report

The World Bank Group report is one of the most renowned and frequently quoted competitiveness studies. The World Bank experts focus solely on the microeconomic aspects of economic activity. They are generally related to regulations in 10 areas which are considered crucial for business, such as paying taxes, enforcing contracts, starting a business or obtaining loans.

The ranking “Doing Business 2018” compares the conditions of conducting business in 190 countries in the world. In the latest edition of the report New Zealand, alike one year ago, became the leader in terms of the ease of doing business. Singapore was on the second position and Denmark on the third one. In this year’s ranking Poland took **27th** position which means a slight deterioration in the result compared to 2017, in which it was ranked 24th<sup>74</sup>.

In comparison to other countries Poland does well in terms of foreign trade services - *ex aequo* with 13 other European countries<sup>75</sup> it ranks as **the first** in sub-ranking “trading across borders”. Therefore, it had been included in the group of countries where import/export procedures are the least costly and time-consuming.

The “getting credit” category was scored high, although Poland’s result deteriorated compared to the previous year’s study (29th position in the sub-ranking in DB 2018 compared to 20th position in DB 2017). The area of the insolvency law was assessed slightly better - **22nd** position in 2018. It is another year in which the improvement of regulations in this respect allowed for a better position in the sub-ranking. A continued positive trend was also reported with regard to the “dealing with construction permits” category: alike the previous year Poland promoted and was ranked at 41st position (last year it was 46th position). This was allowed by considerable reduction of the number of the required

---

<sup>73</sup>The World Bank Group consists of five institutions: the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency and the International Centre for the Settlement of Investment Disputes.

<sup>74</sup> Authors of DB reports emphasize that the change in the number of countries and indicators covered by the study as well as introducing modifications in the methodology of works influence the possibility of comparing results of particular editions of the report.

<sup>75</sup>The list of countries includes Luxembourg, Slovenia, Slovakia, the Netherlands, France, the Czech Republic, Portugal, Spain, Austria, Belgium, Denmark, Hungary and Italy.

procedures (f12) and their duration (153 days). At the same time, Poland still has very low costs of obtaining a permit (0.3% of the value of warehouse being constructed).

On the other hand, there is still room for improvement regarding, inter alia, paying taxes. In Poland these activities still takes more time than in the majority of other EU countries. Although in DB 2016 the spectacular improvement (by 38th positions) of Poland in the sub-ranking “paying taxes”, in subsequent years the decreasing trend is observed. In the ranking of 2017 Poland dropped to 47th position and in this year’s ranking it was ranked at 51st position. Currently, according to the estimations of the report’s authors, an entrepreneur wishing to comply with the requirements of the Polish tax provisions has to make a total of 7 payments per annum and spend a total of 260 hours for this purpose. Total tax rate amounts to 40.5%.

With regard to the enforcement of contracts, Poland’s position did not change compared to the previous year’s report (55th position). It is worth pointing out that according to the calculations of the report’s authors, in 2012 the time necessary to enforce contracts amounted to 830 days. At present it has been limited to 685 days. Poland’s position in the sub-ranking concerning access to electricity is roughly at the same level (54th place, a drop from 46th in DB 2017). Furthermore, a drop was recorded in “protecting minority investors” category (42nd position in DB 2017, 51st position in DB 2018).

With regard to registering property, Poland maintained the position from the previous edition of the report and was ranked at the 38th position. Although the registration cost is relatively low, the remaining aspects included in the assessment, e.g. the number of the required procedures, the time required to complete the process, and the quality of land management (calculated as an index) need to be improved.

As in last year, “starting a business” was the lowest graded category. In this case the downward trend which is negative for Poland continues and deepens the undesirable evaluation. In 2017 a drop of Poland by 5 positions to 107th position was recorded. As far as this year is concerned, Poland was ranked at 120th position. The low rank resulted from the number of days which, in the opinion of the report’s authors, must pass before one can start a business (37 days) and the costs (12% of income per capita). Top positions of European countries in this category were those of Ireland (8th position), Estonia (12th position), Sweden (13th position), Great Britain (14th position) and Belgium (16th position).

**Table 21. Ease of doing business ranking**

	Great Britain	Germany	France	Spain	Lithuania	Czech Republic	Italy	Slovakia	Poland
Ranking 2017	7	17	29	32	21	27	50	33	24
Ranking 2018	7	20	31	28	16	30	46	39	27

Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of *Doing Business 2017*, *Doing Business 2018*.

## 2. Ernst & Young 2018 European Attractiveness Survey

According to this year’s edition European Attractiveness Survey prepared by the company Ernst & Young, the growth rate of the European economy in 2017 was the fastest from a decade. In Europe the number of Foreign Direct Investments (FDI) rose by over 10% on an annual basis, which is reflected by the total number of announced decisions concerning over 6.6 thous. projects which will contribute to 353 thous. new jobs (over a half of them will be in countries of Central and Eastern Europe). Despite of uncertainty related to Brexit, Great Britain maintained the first position in Ernst & Young list in terms of new FDI. Germany and France were ranked at the second and third position, respectively. Poland remains an attractive destination for foreign investors. According to the information presented by authors of the report, it accounted for about 3% of the FDI inflow to EU. It is estimated that in Poland,

thanks to the announced investments, in 2017 24,000 new jobs were created, i.e. by 2,000 more than a year ago.

**Table 22. Ranking of countries according to the number of jobs created by FDI**

	Great Britain	Germany	France	Spain	Lithuania	Czech Republic	Italy	Slovakia	Poland
<b>Ranking 2017</b>	1	3	5	9	-	8	20	12	2
<b>Ranking 2018</b>	1	2	3	6	-	12	-	-	9*

*Authors of the report point to the fact that due to the change in the methodology, Poland's results of the last ranking are difficult to compare with the previous editions of the survey.*

*Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of Ernst & Young European Attractiveness Survey 2016, 2017, 2018.*

### 3. The Global Competitiveness Report by the World Economic Forum 2017-2018

The global competitiveness ranking is the key component of the annual report of the World Economic Forum entitled The Global Competitiveness Report. It is drawn up on the basis of an evaluation of the so called Global Competitiveness Index (GCI) which measures the overall competitiveness of the economy. The index was calculated on the basis of over 100 partial indicators grouped into 12 categories (competitiveness pillars) and assigned to three main areas (basic requirements; efficiency enhancers; innovations and business sophistication). Some of the partial indicators which formed the basis for the evaluation were determined on the basis of the results of a survey performed among entrepreneurs/managers in the period between February and June 2017.<sup>76</sup>

In the latest WEF ranking – GCI 2017-2018 – Poland dropped by 3 positions, taking 39th place among 137 countries. However, Poland ranks higher than 12 members of the EU-28: Lithuania, Portugal, Italy, Slovenia, Bulgaria, Latvia, Slovakia, Hungary, Cyprus, Romania, Croatia and Greece.

Among the 12 categories analysed, Poland reported the relatively best results in: market size (21st position – no change), health and primary education (38th position – no change), higher education and training (40th position – a drop by 3 places) and macroeconomic environment (41st position – a rise by 4 places).

Poland ranked the lowest with regard to labour market efficiency (78th position – a rise by 1 place), institutions (72nd position – a drop by 7 places), innovation (59th position – a rise by 1 place), and business sophistication (57th position - a drop by 3 places). Despite the relatively poor assessment of infrastructure (44th position), it should be noted that Poland's rank considerably improved compared to the previous ranking (by 10 places).

A survey among the management defined the biggest barriers to the pursuit of economic activity: tax regulations (mentioned by 17.6% of respondents), tax rates (13.8%), restrictive labour market regulations (12.5%) and political instability (11.5%).

**Table 23. Ranking according to the Global Competitiveness Index (GCI)**

	Great Britain	Germany	France	Spain	Lithuania	Czech Republic	Italy	Slovakia	Poland
<b>Ranking 2016-2017</b>	7	5	21	32	35	31	44	65	36
<b>Ranking 2017-2018</b>	8	5	22	34	41	31	43	59	39

*Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of The Global Competitiveness Report 2016-2017 and 2017-2018.*

<sup>76</sup>204 representatives of top management from the companies operating in Poland participated in the survey.

#### 4. Index of Economic Freedom 2017 - Heritage Foundation and Wall Street Journal

The authors of the annual *Index of Economic Freedom* ranking evaluate e.g. the freedom of economic activity, trade policies, tax burdens, budget policies, labour market policies and level of corruption.

In the current edition of the economic freedom ranking encompassing a total of 180 countries, Poland with the score of 68.5 was ranked at the same position (45th) as in 2017. The leaders of the ranking include Hong Kong (the score of 90.2), Singapore (88.8) and New Zealand (84.2). As far as European countries are concerned, the top twenty includes: Switzerland, Ireland, Estonia, Great Britain, Iceland, Denmark, Luxembourg, Sweden, Georgia, the Netherlands, Lithuania. Focusing on European countries, Poland is ranked on 21st position with the result below the regional average. The following countries were ranked at the lowest positions in the economic freedom ranking: Cuba (31.9), Venezuela (25.2) and North Korea (5.8).

Compared to the 2017 ranking, improvement was reported in 5 areas (property rights, government spending, fiscal health, labour market, monetary policy). Symmetrically, a drop was reported in 5 categories (government integrity, tax burden, judicial effectiveness, business freedom and trade freedom), while the results for the remaining two criteria (investment and financial freedom) remained unchanged.

The highest scores were reported for trade freedom (86.9), monetary freedom (85), fiscal health (81.5) and tax burden (75.9). According to the report's authors, the economic freedom in Poland is mostly limited by government spending (the category "government spending" obtained the lowest score (47.8) among analysed positions).

**Table 24. Ranking of economic freedom**

	Great Britain	Germany	France	Spain	Lithuania	Czech Republic	Italy	Slovakia	Poland
Ranking 2017	12	26	72	69	16	28	79	57	45
Ranking 2018	8	25	71	60	19	24	79	59	45

Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of Index of Economic Freedom 2017, 2018.

#### 5. World Competitiveness Yearbook 2018 - International Institute for Management Development (IMD)

The latest IMD World Competitiveness Yearbook evaluates the competitiveness of 63 countries on the basis of more than 300 detailed criteria. Factors which are taken into account in the course of the evaluation include, among others, economic results (economic growth, international trade results, employment, price levels, etc.), public finance, fiscal policy, quality of business legislation, efficiency of enterprises (e.g. productivity, financial situation of enterprises, management, innovation), infrastructure (including technical, technological, scientific, healthcare and educational infrastructure). USA is the leader of the ranking, other top positions belong to: Hong Kong, Singapore, the Netherlands and Switzerland. In the current ranking of the most competitive economies Poland was ranked as 34th, which means a rise by 4 positions. Authors of the report point to the fact that Poland, next to Lithuania (32nd position), Slovenia (37th position), Hungary (47th position), Bulgaria (48th position) and Romania (49th position), belong to those countries of the region of Eastern Europe, the economies of which improved. It was evaluated that among these countries Poland, Slovenia and Hungary made the most dramatic progress. In the case of Poland the improvement of scores is attributed to the increase in GDP, rise of exports of commercial services and improvement of public debt management.



**Table 25. IMD Ranking**

	Great Britain	Germany	France	Spain	Lithuania	Czech Republic	Italy	Slovakia	Poland
<b>Ranking 2017</b>	19	13	31	34	33	28	44	51	<b>38</b>
<b>Ranking 2018</b>	20	15	28	36	32	29	42	55	<b>34</b>

Source: EAD of the Ministry of Entrepreneurship and Technology on the basis of The World Competitiveness Scoreboard 2016, 2017, 2018.

## 5.2 Poland compared to other EU Member States

Progress of implementation of the EU social and economic strategy Europe 2020 is assessed according to ten headline indicators divided into five thematic categories. In the context of competitiveness, particular focus should apply to indicators relating to innovation and education.

Compared to the EU average, Poland's position in terms of education is relatively sound, but its innovation position is clearly below the EU average.

### Box 2. Headline indicators - definitions

1. **Employment rate, age group 20-64** is the share of persons employed aged 20-64 in total population of this age group.
2. **Expenditure on R&D** reflects the share of gross domestic expenditure on R&D in GDP. It includes expenditure by business enterprises, higher education institutions, as well as government and private non-profit organisations.
3. **Greenhouse gas emissions** correspond to the emission volume of 6 main greenhouse gases, weighted by their potential impact on global warming compared to the baseline year (1990=100).
4. **Share of renewable energy** is defined as a ratio of electric energy generated from renewable sources to total consumption of electric energy.
5. **Primary energy consumption** is calculated as gross domestic energy consumption excluding consumption for non-energy purposes (such as natural gas used not for combustion but for producing chemicals). This quantity is important for the measurement of the actual energy consumption.
6. **Final energy consumption** is the total energy consumed by industry, transport, households, services sector and agriculture (excluding energy used by energy transformation sector and the energy sector). This quantity is important for the measurement of the energy consumption by end users.
7. **Greenhouse gas emissions in non-ETS sectors** (million tonnes CO<sub>2</sub> equivalent) are calculated by deducting ETS verified emissions, CO<sub>2</sub> emissions from domestic aviation and NF<sub>3</sub> emissions from national total emissions.
8. **Early leavers from education and training** correspond to the share of the people aged 18 to 24 who have completed at most lower secondary education and are not involved in further education or training in the total population aged 18 to 24.
9. **Tertiary educational attainment, age group 30-34** is defined as the share of the population aged 30-34 who have successfully completed a tertiary education programme in the total population aged 30-34.
10. **People living in households with very low work intensity** are defined as the share of persons aged 0-59 living in a household where the members of working age worked less than 20% of their total potential during the previous 12 months. The work intensity of a household is the ratio of the total number of months that all working-age household members have worked during the year and the total number of months the same household members theoretically could have worked in the same period. Moreover, a working-age person is a person aged 19-59, with the exclusion of students in the age group between 18 and 24 years.
11. **At-risk-of-poverty rate** is the share of people with an equivalised disposable income below the at-risk-of-poverty threshold in the total population. The threshold is set at 60% of the national median equivalised disposable income after social transfers.
12. **Severe material deprivation rate** is the share of persons expressing the inability to afford at least four out of nine needs (e.g. to pay week-long holidays for all household members once a year, not being able to afford a colour television set, a washing machine, a car or a telephone).

**Table 26. Headline indicators of Europe 2020 strategy: Poland compared to EU-28**

No.	Indicator	Year	Poland	UE-28	Poland's target by 2020	EU target by 2020
<b>Employment</b>						
1	Employment rate, age group 20-64	2017	70.9	72.2	71%	75%
		2016	69.3	71.1		
<b>Research and development and innovation</b>						
2	Gross domestic expenditure on R&D to GDP	2016	0.97 <sup>p</sup>	2.03 <sup>p</sup>	1.7%	3%
		2015	1.0	2.04		
<b>Climate change and energy</b>						
3	Greenhouse gas emissions	2016	85.03	77.64	Reduction by 14% compared to 1990	Reduction by 20% compared to 1990
		2015	82.72	77.99		
4	Share of renewable energy in gross final energy consumption	2016	11.3	17.0	15.48%	20%
		2015	11.7	16.7		
5	Primary energy consumption (index, 2005=100)	2016	107.6	90.0	Energy efficiency increased by 14%	Energy efficiency increased by 20%
		2015	102.6	89.4		
6	Final energy consumption (index, 2005=100)	2016	114.0	92.9	Energy efficiency increased by 14%	Energy efficiency increased by 20%
		2015	106.6	91.1		
7	Greenhouse gas emissions in non-ETS sectors	2016	107.1 <sup>p</sup>	88 <sup>p</sup>	114	90.7
		2015	103.8	87.3		
<b>Education</b>						
8	Early leavers from education and training	2017	5.0	10.6	4.5%	10%
		2016	5.2	10.7		
9	Tertiary educational attainment, age group 30-34	2017	45.7	39.9	45%	40%
		2016	44.6	39.1		
<b>Poverty and social exclusion</b>						
10	People living in households with very low work intensity (% of population)	2017	5.7	nd	Reduction of the number of excluded persons by 1.5 million	Reduction of the number of excluded persons by 20 million
		2016	6.4	10.5		
11	At-risk-of-poverty rate (% of population)	2017	15.0	nd		
		2016	17.3	17.3		
12	Severe material deprivation rate (% of population)	2017	5.9	6.7 <sup>e</sup>		
		2016	6.7	7.5		
	Risk of poverty or social exclusion (aggregate indicator combining the above three indicators) (% of population)	2017	19.5	nd		
		2016	21.9	23.5		

nd - no data

p - temporary data

e - preliminary estimate

Source: Eurostat.

## ANNEX I - STATISTICAL TABLES - DATA ON ENTERPRISES

**Table 27. Entities of the national economy according to the projected number of employed persons as well as to selected sections of the Polish Classification of Activities (PKD)**

Specification a - 31/12/2017 b - dynamics (2016=100)		total	0-9	10-49	50-249	250-999	1000 and more
total	a	4,309,800	4,128,611	147,607	29,154	3,685	743
	b	101.7	101.8	99.7	99.6	99.5	97.8
mining and quarrying	a	4,814	4,221	430	127	28	8
	b	99.0	99.2	98.2	96.2	103.7	80.0
manufacturing	a	381,689	346,919	26,768	6,569	1,234	199
	b	101.2	101.4	99.2	99.4	99.6	98.5
electricity, gas and water supply	a	9,511	8,896	354	196	43	22
	b	103.1	103.5	97.8	99.0	97.7	88.0
construction	a	512,933	495,490	15,395	1,872	154	22
	b	103.7	103.9	99.1	98.7	98.1	100.0
trade; repair of motor vehicles	a	1,029,037	998,322	27,280	3,058	317	60
	b	98.5	98.5	98.8	99.7	100.0	101.7
transportation and storage	a	264,382	258,549	4,881	752	161	39
	b	101.6	101.6	101.3	99.3	98.8	92.9
accommodation and food service activities	a	133,730	128,224	5,166	296	38	6
	b	102.1	102.2	100.3	101.0	100.0	100.0
information and communication	a	154,495	151,266	2751	392	68	18
	b	108.4	108.6	99.3	103.7	98.6	100.0
financial and insurance activities	a	123,243	121,194	1,493	449	75	32
	b	98.9	98.9	99.1	98.9	102.7	97.0
real estate activities	a	248,859	244,813	3,258	703	78	7
	b	103.4	103.4	104.0	101.3	105.4	140.0
professional, scientific and technical activities	a	437,997	430,869	6213	759	135	21
	b	103.9	104.0	100.8	100.8	100.0	95.5
administrative and support service activities	a	132,653	127,715	3,847	845	197	49
	b	104.5	104.6	103.7	101.8	100.0	102.1
public administration and defence; compulsory social security	a	27,113	21,068	3,357	2,264	359	65
	b	100.0	100.2	99.9	99.5	95.7	91.5
education	a	146,018	111,818	27,508	6,548	87	57
	b	97.5	96.8	99.6	98.8	101.2	100.0
human health and social work activities	a	241,747	232,867	6,647	1,666	466	101
	b	103.3	103.4	101.2	100.3	100.0	99.0
arts, entertainment and recreation	a	79,133	75,403	3,094	601	30	5
	b	103.5	103.6	100.8	99.7	96.8	100.0
other service activities	a	286,100	280,671	4,476	811	119	23
	b	103.3	103.4	99.6	99.9	100.8	95.8

Source: Structural changes of groups of entities of the national economy entered into the REGON register in 2017, Central Statistical Office, Warsaw 2017.

**Table 28. Financial data of enterprises according to ownership sector**

	2010	2011	2012	2013	2014	2015	2016	2017
revenue from overall activity (PLN billion)								
all sectors	2,451.6	2,791.3	2,898.8	2,916.6	2,995.7	3,088.0	3,194.1	3,441.8
public sector	294.4	311.6	310.5	290.0	275.2	279.7	261.4	293.9
private sector	2,157.2	2,479.6	2,588.3	2,626.6	2,720.5	2,808.3	2,932.7	3,147.9
revenue from overall activity (PLN billion)								
all sectors	2,319.6	2,650.4	2,770.4	2,782.6	2,859.6	2,945.5	3,030.2	3,258.7
public sector	272.0	283.6	290.6	271.6	257.6	263.1	244.8	267.6
private sector	2,047.7	2,366.8	2,479.4	2,511.1	2,602.0	2,682.4	2,785.4	2,991.1
gross financial result (PLN billion)								
all sectors	131.8	141.0	128.9	134.1	136.3	142.7	163.9	183.1
public sector	22.4	28.1	19.9	18.5	17.6	16.6	16.6	26.3
private sector	109.4	112.9	109.0	115.6	118.7	126.0	147.3	156.9
net financial result (PLN billion)								
all sectors	109.9	116.6	107.4	114.8	115.0	120.6	138.3	154.7
public sector	18.72	23.41	16.16	15.61	13.70	12.37	12.9	22.5
private sector	91.22	93.22	91.24	99.16	101.27	108.20	125.3	132.2
gross turnover profitability rate (%)								
all sectors	5.37	5.05	4.45	4.60	4.55	4.62	5.13	5.32
public sector	7.61	9.01	6.40	6.39	6.38	5.94	6.35	8.94
private sector	5.07	4.55	4.21	4.40	4.36	4.49	5.02	4.98
net turnover profitability rate (%)								
all sectors	4.48	4.18	3.71	3.93	3.84	3.90	4.33	4.50
public sector	6.36	7.51	5.21	5.38	4.98	4.42	4.95	7.65
private sector	4.23	3.76	3.53	3.78	3.72	3.85	4.27	4.20
return on assets (%)								
all sectors	5.30	5.11	4.53	4.62	4.36	4.32	4.71	4.99
public sector	3.88	4.73	3.12	3.06	2.57	2.10	2.22	3.58
private sector	5.72	5.22	4.93	5.03	4.82	4.92	5.32	5.35
share of profitable units (%)								
all sectors	77.75	77.43	76.08	77.70	79.52	81.12	79.98	79.96
public sector	70.31	68.66	69.67	72.36	71.40	72.71	70.27	68.41
private sector	78.17	77.90	76.41	77.98	79.93	81.54	80.47	80.55

Source: the Ministry of Entrepreneurship and Technology on the basis of CSO F-01.

**Table 29. Revenues and net financial result per one enterprise and per one person employed**

	2010	2011	2012	2013	2014	2015	2016	2017
<i>revenues from overall activity per one enterprise (PLN thousand)</i>								
more than 9 persons employed	50,197.2	55,517.7	56,343.3	56,876.5	57,215.9	59,032.3	60,704.0	66,350.4
10-49	12,531.7	14,016.9	14,148.3	14,334.3	14,541.7	15,033.7	15,282.5	15,872.6
50-249	44,237.1	50,260.1	50,578.1	51,941.6	53,480.0	54,899.7	55,077.7	58,007.9
more than 249	456,992.1	516,682.4	535,510.4	536,111.7	529,055.2	531,145.4	534,801.3	566,634.6
<i>net financial result per one enterprise (PLN thousand)</i>								
more than 9 persons employed	2,251.1	2,319.7	2,087.6	2,238.0	2,195.9	2,304.9	2,628.3	2,982.7
10-49	588.2	254.0	632.0	542.1	579.0	659.2	688.0	733.1
50-249	1,518.7	1,564.8	1,499.0	1,796.0	2,086.7	2,345.7	2,344.9	2,288.0
more than 249	22,452.2	27,586.8	20,458.2	22,465.6	19,935.6	19,145.0	23,056.4	26,567.2
<i>revenues from overall activity per one person employed (PLN thousand)</i>								
more than 9 persons employed	498.6	565.2	589.7	588.9	589.4	594.8	596.0	626.8
10-49	519.6	589.6	608.8	619.7	627.5	638.6	642.1	674.9
50-249	433.9	493.9	509.3	513.2	518.7	527.7	526.4	552.0
more than 249	529.3	597.5	628.5	620.6	614.7	616.5	617.7	650.8
<i>net financial result per one person employed (PLN thousand)</i>								
more than 9 persons employed	22.4	23.6	21.9	23.2	22.6	23.2	25.8	28.2
10-49	24.4	10.7	27.2	23.4	25.0	28.0	28.9	31.2
50-249	14.9	15.4	15.1	17.7	20.2	22.5	22.4	21.8
more than 249	26.0	31.9	24.0	26.0	23.2	22.2	26.6	30.5

Source: the Ministry of Entrepreneurship and Technology on the basis of CSO F-01.

**Table 30. Financial data of enterprises according to number of persons employed**

	2010	2011	2012	2013	2014	2015	2016	2017
revenue from overall activity (PLN billion)								
more than 9 persons employed	2,451.6	2,791.3	2,898.80	2,916.60	2,995.70	3,088.0	3,194.1	3,441.8
10-49	388.6	457.3	474.5	483.8	509.5	523.5	532.2	534.8
50-249	652.3	731.2	747.6	747.3	750.9	775.0	786.9	843.3
more than 249	1,410.7	1,602.7	1,676.7	1,685.5	1,735.3	1,789.4	1,875.0	2,063.7
revenue from overall activity (PLN billion)								
more than 9 persons employed	2,319.6	2,650.3	2,770.1	2,782.6	2,859.6	2,945.5	3,030.2	3,258.7
10-49	366.9	446.0	449.6	462.7	486.0	497.2	504.7	506.2
50-249	624.9	703.6	721.0	716.9	716.8	736.6	747.9	804.1
more than 249	1,327.8	1,500.8	1,599.4	1,603.0	1,656.8	1,711.7	1,777.7	1,948.4
gross financial result (PLN billion)								
more than 9 persons employed	131.8	141.0	128.9	134.1	136.3	142.6	163.9	183.1
10-49	21.7	11.4	24.9	21.1	23.6	26.5	27.5	28.6
50-249	27.1	27.6	26.6	30.4	34.2	38.4	39.0	39.2
more than 249	83.0	102.0	77.3	82.6	78.6	77.8	97.4	115.3
net financial result (PLN billion)								
more than 9 persons employed	109.9	116.6	107.4	114.8	115.0	120.6	138.3	154.7
10-49	18.2	8.3	21.2	18.3	20.3	23.0	24.0	24.7
50-249	22.4	22.8	22.2	25.8	29.3	33.1	33.5	33.3
more than 249	69.3	85.6	64.1	70.6	65.4	64.5	80.8	96.8
gross turnover profitability rate (%)								
more than 9 persons employed	5.37	5.05	4.45	4.60	4.55	4.62	5.13	5.32
10-49	5.58	2.49	5.25	4.37	4.62	5.05	5.17	5.35
50-249	4.16	3.77	3.56	4.07	4.55	4.96	4.96	4.65
more than 249	5.88	6.37	4.61	4.90	4.53	4.35	5.19	5.59
net turnover profitability rate (%)								
more than 9 persons employed	4.48	4.18	3.71	3.93	3.84	3.90	4.33	4.50
10-49	4.69	1.81	4.47	3.78	3.98	4.39	4.50	4.62
50-249	3.43	3.11	2.96	3.46	3.90	4.27	4.26	3.94
more than 249	4.91	5.34	3.82	4.19	3.77	3.60	4.31	4.69
return on assets (%)								
more than 9 persons employed	5.30	5.11	4.53	4.62	4.36	4.32	4.71	4.99
10-49	5.93	2.40	5.82	5.05	4.94	5.25	5.41	5.47
50-249	4.56	4.24	3.93	4.29	4.76	5.10	4.89	4.59
more than 249	5.42	6.12	4.44	4.66	4.06	3.79	4.47	5.02
share of profitable units (%)								
more than 9 persons employed	77.8	77.4	76.1	77.7	79.5	81.1	80.0	80.0
10-49	77.3	77.1	75.7	76.7	78.5	80.2	79.2	79.5
50-249	77.8	77.8	76.2	78.9	81.3	82.7	81.3	80.4
more than 249	81.7	79.6	79.9	83.2	83.1	83.5	82.7	82.5

Source: the Ministry of Entrepreneurship and Technology on the basis of CSO F-01.

**Table 31. Enterprise debt**

	2010	2011	2012	2013	2014	2015	2016	2017
<i>short-term liabilities (PLN billion)</i>								
more than 9 persons empl.	571.0	644.1	639.2	662.4	672.2	715.5	775.9	833.6
10-49	97.0	118.0	110.5	109.4	119.7	128.3	141.4	137.8
50-249	151.3	172.1	172.6	178.6	179.2	182.2	196.2	221.5
more than 249	322.7	354.0	356.1	374.4	373.3	405.1	438.4	474.3
<i>long-term liabilities (PLN billion)</i>								
more than 9 persons empl.	263.1	317.0	325.5	346.6	414.9	437.2	473.7	479.3
10-49	47.8	58.9	59.8	54.8	70.0	75.0	71.6	74.0
50-249	70.6	75.1	83.0	91.7	96.6	100.0	105.4	109.0
more than 249	144.8	182.9	182.7	200.2	248.4	262.2	296.6	296.2
<i>long-term liabilities per one enterprise (PLN thousand)</i>								
more than 9 persons empl.	5,387.2	6,304.4	6,326.1	6,759.2	7,925.2	8,358.0	9,002.1	9,239.4
10-49	1,540.6	1,806.0	1,781.7	1,622.6	1,997.3	2,153.0	2,056.5	2,197.4
50-249	4,785.3	5,164.2	5,615.6	6,371.5	6,879.1	7,086.6	7,379.5	7,499.8
more than 249	46,899.3	58,967.0	58,354.6	63,670.6	75,725.3	77,824.6	84,604.5	81,331.8
<i>long-term liabilities per one person employed (PLN thousand)</i>								
more than 9 persons empl.	53.5	64.2	66.2	70.0	81.6	84.2	88.4	87.3
10-49	63.9	76.0	76.7	70.1	86.2	91.5	86.4	93.4
50-249	46.9	50.7	56.5	62.9	66.7	68.1	70.5	71.4
more than 249	54.3	68.2	68.5	73.7	88.0	90.3	97.7	93.4

Source: the Ministry of Entrepreneurship and Technology on the basis of CSO F-01.

**Table 32. Enterprise debt indices**

	2010	2011	2012	2013	2014	2015	2016	2017
<i>debt index (liabilities/assets)</i>								
more than 9 persons empl.	0.40	0.42	0.41	0.41	0.41	0.41	0.43	0.42
10-49	0.47	0.51	0.47	0.45	0.46	0.46	0.48	0.47
50-249	0.45	0.46	0.45	0.45	0.45	0.43	0.44	0.46
more than 249	0.37	0.38	0.37	0.38	0.39	0.39	0.41	0.40
<i>liabilities/equity</i>								
more than 9 persons empl.	0.78	0.85	0.80	0.79	0.82	0.82	0.87	0.86
10-49	0.99	1.2	0.98	0.92	0.96	0.97	1.03	0.98
50-249	0.93	0.97	0.95	0.92	0.93	0.88	0.90	0.96
more than 249	0.68	0.73	0.71	0.72	0.75	0.77	0.82	0.80
<i>long-term liabilities/equity</i>								
more than 9 persons empl.	0.25	0.28	0.27	0.27	0.31	0.31	0.33	0.31
10-49	0.33	0.40	0.34	0.31	0.35	0.36	0.35	0.34
50-249	0.30	0.30	0.31	0.31	0.32	0.31	0.32	0.32
more than 249	0.21	0.25	0.24	0.25	0.30	0.30	0.33	0.31
<i>long-term liabilities/revenues from sales of basic products and services</i>								
more than 9 persons empl.	0.19	0.20	0.20	0.22	0.25	0.25	0.27	0.25
10-49	0.33	0.35	0.34	0.31	0.36	0.36	0.34	0.36
50-249	0.21	0.20	0.21	0.23	0.24	0.24	0.25	0.24
more than 249	0.16	0.18	0.18	0.19	0.23	0.24	0.26	0.24

Source: the Ministry of Entrepreneurship and Technology on the basis of CSO F-01.

**Table 33. Liquidity ratios**

	2010	2011	2012	2013	2014	2015	2016	2017
<i>liquidity ratio</i>								
more than 9 persons employed	1.49	1.48	1.48	1.45	1.52	1.50	1.48	1.49
10-49	1.59	1.49	1.66	1.62	1.66	1.64	1.55	1.61
50-249	1.53	1.48	1.52	1.51	1.53	1.59	1.58	1.54
more than 249	1.45	1.47	1.40	1.37	1.46	1.40	1.42	1.43
<i>elevated liquidity ratio</i>								
more than 9 persons employed	1.08	1.05	1.03	1.02	1.08	1.06	1.06	1.06
10-49	1.16	1.09	1.20	1.16	1.19	1.18	1.13	1.18
50-249	1.07	1.03	1.05	1.05	1.07	1.12	1.11	1.10
more than 249	1.06	1.05	0.97	0.97	1.04	1.00	1.02	1.01
<i>high liquidity ratio</i>								
more than 9 persons employed	0.42	0.40	0.38	0.38	0.42	0.41	0.40	0.41
10-49	0.46	0.42	0.49	0.44	0.46	0.44	0.42	0.45
50-249	0.36	0.33	0.35	0.37	0.39	0.42	0.40	0.38
more than 249	0.43	0.42	0.36	0.36	0.41	0.39	0.40	0.41

Source: the Ministry of Entrepreneurship and Technology on the basis of CSO F-01.

**Table 34. Indicators of export activities**

	2010	2011	2012	2013	2014	2015	2016	2017
<i>share of export sales in revenues from overall activity (%)</i>								
more than 9 persons employed	17.53	18.30	19.08	20.17	20.37	20.40	21.41	21.94
10-49	7.52	7.84	8.24	9.15	9.66	9.25	9.64	10.00
50-249	12.82	13.06	14.55	15.72	15.81	15.92	16.91	16.50
more than 249	22.46	23.67	24.17	25.30	25.48	25.61	26.64	27.26
<i>growth rate of revenues from overall activity (%)</i>								
more than 9 persons employed	105.6	113.9	103.9	100.6	102.7	103.1	103.4	107.8
10-49	107.8	117.7	103.7	102.0	105.3	102.8	101.7	100.5
50-249	98.5	112.1	102.3	100.0	100.5	103.2	101.5	107.2
more than 249	108.5	113.6	104.6	100.5	103.0	103.1	104.8	110.1
<i>export sales growth rate (%)</i>								
more than 9 persons employed	113.0	118.9	108.3	106.3	103.7	103.3	108.5	110.4
10-49	119.5	122.7	109.0	113.2	111.1	98.4	106.0	104.2
50-249	105.2	114.2	113.9	108.0	101.1	103.9	107.9	104.6
more than 249	114.7	119.7	106.8	105.2	103.7	103.6	109.0	112.6

Source: the Ministry of Entrepreneurship and Technology on the basis of CSO F-01.



**Table 35. Investment activity of enterprises employing more than 9 persons employed**

	2010	2011	2012	2013	2014	2015	2016	2017
<i>investment expenditure value (PLN billion)<sup>1</sup></i>								
more than 9 persons empl.	113.9	127.5	124.7	129.1	146.1	164.2	145.6	152.3
0-49	15.3	17.1	15.3	14.6	15.9	17.5	15.3	15.5
50-249	25.3	28.7	27.1	30.0	31.2	34.7	31.0	32.9
more than 249	73.3	81.7	82.3	84.6	99.0	111.9	99.2	103.9
<i>investment expenditure value per one enterprise (PLN thousand)</i>								
more than 9 persons empl.	2,332.7	2,535.1	2,424.0	2,517.9	2,789.5	3,138.2	2,766.2	2,935.3
10-49	494.1	522.8	455.3	431.4	452.7	502.9	438.7	460.2
50-249	1,717.8	1,970.4	1,835.5	2,084.4	2,222.8	2,458.5	2,172.7	2,263.1
more than 249	23,736.9	26,348.4	26,288.9	26,899.3	30,177.3	33,227.5	28,304.1	28,515.9
<i>investment expenditure value per one person employed (PLN thousand)</i>								
more than 9 persons employed	23.2	25.8	25.4	26.1	28.7	31.6	27.2	27.7
10-49	20.5	22.0	19.6	18.6	19.5	21.4	18.4	19.6
50-249	16.8	19.4	18.5	20.6	21.6	23.6	20.8	21.5
more than 249	27.5	30.5	30.9	31.1	35.1	38.6	32.7	32.7
<i>investment expenditure and expenses on the purchase of second hand fixed assets to revenues from sales of basic products and services (%)</i>								
more than 9 persons empl.	8.3	8.2	7.7	8.0	8.8	9.5	8.1	7.9
10-49	10.6	10.2	8.7	8.1	8.2	8.5	7.4	7.5
50-249	7.6	7.7	6.9	7.6	7.7	8.2	7.2	7.1
more than 249	8.3	8.0	7.9	8.2	9.3	10.1	8.6	8.3
<i>relation of investment expenditure and expenses on the purchase of second-hand fixed assets in financial surplus [%]</i>								
more than 9 persons empl.	55.0	57.2	55.8	55.9	62.3	65.1	54.9	52.9
10-49	53.6	84.6	44.5	47.0	46.5	47.3	40.3	39.7
50-249	57.0	61.3	56.0	57.9	56.5	58.2	50.4	52.9
more than 249	54.6	52.4	58.6	57.1	68.2	71.9	60.0	55.7
<i>share of investment expenditure and expenses on the purchase of second-hand fixed assets in depreciation</i>								
more than 9 persons empl.	1.50	1.58	1.45	1.46	1.57	1.54	1.43	1.41
10-49	2.18	2.24	1.86	1.73	1.72	1.79	1.51	1.57
50-249	1.56	1.67	1.48	1.59	1.60	1.65	1.38	1.43
more than 249	1.39	1.46	1.38	1.39	1.54	1.48	1.43	1.39

Source: the Ministry of Entrepreneurship and Technology on the basis of CSO F-01.

**Table 36. Number of entities employing more than 9 employed persons and the number of persons employed**

	2010	2011	2012	2013	2014	2015	2016	2017
<i>number of analysed business operators</i>								
more than 9 persons empl.	48,839	50,277	51,449	51,280	52,358	52,310	52,618	51,873
10-49	31,007	32,627	33,536	33,748	35,037	34,824	34,825	33,693
50-249	14,745	14,548	14,782	14,388	14,041	14,117	14,287	14,538
more than 249	3,087	3,102	3,131	3,144	3,280	3,369	3,506	3,642
<i>number of persons employed</i>								
more than 9 persons empl.	4,916 471	4,938,733	4,915,414	4,952,889	5,082,495	5,191,272	5,359,026	5,491,390
10-49	747,761	775,680	779,367	780,683	811,971	819,817	828,825	792,460
50-249	1,503 426	1,480,406	1,468,112	1,456,350	1,447,572	1,468,717	1,494,899	1,527,725
more than 249	2,665 284	2,682 647	2,667 935	2,715 856	2,822 952	2,902,738	3,035,302	3,171,205
<i>number of persons employed per one enterprise</i>								
more than 9 persons empl.	100.6	98.2	95.5	96.6	97.1	99.2	101.8	105.9
10-49	24.1	23.8	23.2	23.1	23.2	23.5	23.8	23.5
50-249	101.9	101.8	99.3	101.2	103.1	104.0	104.6	105.1
more than 249	863.4	864.8	852.1	863.8	860.7	861.6	865.7	870.7

Source: the Ministry of Entrepreneurship and Technology on the basis of CSO F-01.

**Table 37. Number of active enterprises in years 2009-2015**

	2010	2011	2012	2013	2014	2015	2016
total	1,726,663	1,784,603	1,794,943	1,771,460	1,842,589	1,914,141	2,013,364
fewer than 10 persons employed	1,655,064	1,710,598	1,719,187	1,693,785	1,764,597	1,838,365	1,937,250
10-49	52,591	54,999	57,071	59,128	59,166	56,713	57,198
50-249	15,841	15,817	15,484	15,329	15,470	15,631	15,351
more than 249	3,167	3,189	3,201	3,218	3,356	3,432	3,565

Source: Central Statistical Office of Poland: Activity of non-financial enterprises in 2016 (and earlier)

**Table 38. Average gross monthly remuneration in enterprises in years 2009–2015 (in PLN)**

	2010	2011	2012	2013	2014	2015	2016
total	3,300	3,481	3,628	3,761	3,899	4,017	4,182
fewer than 10 persons employed	2,006	2,059	2,172	2,210	2,315	2,437	2,616
10-49	nd	nd	3,309	3,441	3,508	3,652	3,720
50-249	3,363	3,568	3,706	3,850	4,015	4,180	4,392
more than 249	4,012	4,255	4,430	4,563	4,731	4,832	5,003

Source: Central Statistical Office of Poland: Activity of non-financial enterprises in 2016 (and earlier)

**Table 39. Revenues, costs, income and investment expenditure in enterprises (nominal values)**

		2010	2011	2012	2013	2014	2015	2016
Total revenues in PLN billion	total	3,297	3,666	3,763	3,793	3,908	4,076	4,227
	fewer than 10 persons employed	719	761	762	780	808	896	948
	10-49	449	520	555	562	580	578	575
	50-249	689	769	767	765	778	802	819
	more than 249	1,439	1,616	1,680	1,686	1,743	1,801	1,886
Total costs in PLN billion	total	3,046	3,425	3,542	3,550	3,653	3,818	3,948
	fewer than 10 persons employed	618	665	675	681	705	776	827
	10-49	420	501	523	531	543	538	543
	50-249	649	738	736	730	736	757	779
	more than 249	1,358	1,521	1,608	1,608	1,670	1,748	1,799
Gross profit in PLN billion	total	291	298	276	294	311	335	347
	fewer than 10 persons employed	121	114	106	118	121	142	150
	10-49	34	36	39	41	45	47	41
	50-249	46	41	40	43	51	53	50
	more than 249	89	107	90	93	94	93	106
Investment expenditure in PLN billion	total	141	161	155	162	183	201	189
	fewer than 10 persons employed	25	28	24	26	30	30	30
	10-49	17	19	17	18	19	20	17
	50-249	29	34	33	34	36	40	36
	more than 249	70	80	80	83	98	111	106

Source: Central Statistical Office of Poland: Activity of non-financial enterprises in 2016 (and earlier) In relation to the data presented in previous charts (derived from the Polgos module and based on the F-01 reports of the Central Statistical Office), the data presented above (the non-financial entities group) do not extend to section A (Agriculture, forestry and fishing) and section K (Financial and insurance activities); section P (Education) is included, with the exception of higher education.

## ANNEX II IMPLEMENTATION OF THE SMALL BUSINESS ACT IN POLAND IN 2017

### I. Implementation of SBA priority areas at the central level

One of the priorities of the Polish economic policy is to provide the best possible opportunities for the operation, development and competitiveness of small and medium-sized enterprises. The main strategic document at the EU level determining the SME policy framework is the Communication entitled Think Small First. A Small Business Act for Europe, COM(2008) 394. It builds on the Commission's and Member States' policy achievements, creates a new policy framework which integrates the existing enterprise policy instruments and modern approach to SME policy.

SBA determines e.g. the principles and measures of support SMEs at every stage of their life cycle within the following 10 priority areas which should be covered by the intervention:

1. Creating an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded.
2. Ensuring that honest entrepreneurs who have faced bankruptcy quickly get a second chance.
3. Designing rules according to the 'think small first' principle.
4. Making public administrations responsive to the needs of small and medium-sized businesses (SMEs).
5. Adaptation of public policy tools to SMEs' needs: facilitation of SMEs' participation in public procurement and better use of State aid possibilities for SMEs.
6. Facilitating SMEs' access to finance and development of a legal and business environment supportive to timely payments in commercial transactions.
7. Helping SMEs to benefit more from the opportunities offered by the EU's single market.
8. Promoting the upgrading of skills in SMEs and all forms of innovation.
9. Enabling SMEs to turn environmental challenges into opportunities.
10. Encouraging and supporting SMEs to benefit from the growth of markets.

Encouraging and supporting SMEs to benefit from the growth of markets. The SBA programme creates a new framework for the entrepreneurship policy which integrates the existing support instruments, focusing in particular on the creation of a modern SME policy. One of the key preconditions for the effective implementation of the SBA objectives is the regular monitoring of the activities performed according to a specific methodology for collecting information. In order to determine the effectiveness and progress of implementation of measures in respective SBA priority areas in Poland, information was collected on the ongoing as well as planned SBA initiatives. Information presented below includes the measures initiated and implemented in respective SBA areas during the period between July 2017 and June 2018. It should be emphasised that, apart from the measures described below, support schemes / measures initiated in the previous years were functioning in Poland simultaneously.

In order to determine the effectiveness and progress of implementation of measures in respective SBA priority areas in Poland, information was collected on the ongoing SBA initiatives on the domestic level.

Priority area	Project description
<b>1. Creating an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded.</b>	Ministry of Entrepreneurship and Technology: (previously: the Ministry of Investment and Economic Development): 30 April 2018 the so-called Constitution for Business, i.e. the package of 5 acts aiming at helping to establish partnership relations between entrepreneurs and officials as well as facilitate setting up and conducting business in Poland, entered into force: 1. Entrepreneurs' Law Act It introduces the canon of fundamental principles giving entrepreneurs a guarantee in relations with public authorities. Entrepreneurs' Law as a central act aims at influencing the manner of enacting, interpretation and application of all provisions

	<p>concerning economic activity. The most important provisions of the Act include, inter alia: establishing the catalogue of rights and obligations of entrepreneurs and bodies serving as guidelines for administrative bodies, setting the limits for their interference in the freedom of economic activity.</p> <p>2. Act on the Ombudsman for Small and Medium-sized Enterprises The task of the Ombudsman for Small and Medium-sized Enterprises is to uphold and protect the rights of entrepreneurs, in particular those from SME sector. Its competences cover, inter alia, supporting mediation between entrepreneurs and administration authorities, requesting appropriate offices to take up legislative initiative and requesting appropriate offices to issue legal clarifications of particularly complex provisions concerning economic activity.</p> <p>3. the Act on the Business Activity Central Register and Information Record and Information Point for Entrepreneur The most important modifications of the Business Activity Central Register and Information Record (CEIDG) include, inter alia, allowing for sharing the register of powers of attorney and commercial powers of attorney in CEIDG and introducing the principle of automatic resuming economic activity following the lapse of suspension period. The Information Point for Entrepreneur is the development of the existing site <a href="http://www.biznes.gov.pl">www.biznes.gov.pl</a>. It enables e.g. to pay official fees or obtain the certificate on no arrears in payments of taxes or contributions. The Point will remind entrepreneurs, by SMS or e-mail, of upcoming official deadlines and inform about the most important changes in law.</p> <p>4. the Act on principles of participation of foreign entrepreneurs and other foreign persons in business transactions on the territory of the Republic of Poland So far regulations concerning this issue have been inconsistent and contained in three different acts. The above-mentioned act is a single, transparent and consistent legal act for foreign investors.</p> <p>5. the Act Regulations implementing the Entrepreneurs' Law Act and other acts concerning economic activity Apart from an appropriate incorporation of solutions provided for in the remaining acts of the Constitution for Business into the Polish legal system, implementing regulations govern practical facilitations, both for entrepreneurs (e.g. self-employed persons will be able to grant powers of proxy, the introduction of the principle of using only the NIP number by the entrepreneur in contacts with offices) and all citizens (e.g. settlement of official errands by SMS and other means of communication will become possible). On 1 January 2018 the draft act amending the act on sureties and guarantees granted by the State treasury and certain legal persons as well as certain other acts entered into force. The system providing a sustainable, stable access to preferential guarantees enabling to plan the use guarantee instruments in the strategic perspective was introduced, maintaining at the same time the volume of guarantees granted at the level similar to previous years (about PLN 9 billion). Furthermore, the financial assembly of funds released from financial instruments under central government operational programmes of the current and previous EU financial framework, funds reallocated from BGK capitals as well as possible voluntary participation of stakeholders in any of the periods was created (the budget is expected to play a supporting role). The Act on the succession management of a natural person's enterprise adopted by the Sejm on 7 June 2018 (enters into force after 3 months from the publication) will allow for providing the continuous operation of an enterprise after the death of an entrepreneur - a natural person, in the case of conducting economic activity. Thanks to the continuous operation of the enterprise, still generating profits, the obligations to contractors and public-law liabilities will be paid as well as jobs will be maintained. Furthermore, the opportunities for the enterprise's development are increasing. On 20 July 2018 the Sejm passed the Act on the amendment of some acts in order to reduce social contributions of natural persons conducting economic activity on a smaller scale. The so-called "small ZUS" will allow for reducing the amount of contributions paid by entrepreneurs with revenues not exceeding a multiple of 2.5 minimal remuneration (i.e. currently PLN 5.200). Entrepreneurs meeting these criteria</p>
--	--

	<p>will be able to pay reduced social insurance contributions proportional to the revenue - the total amount of social and health insurance contributions will drop from PLN 1,232 to about PLN 660.</p> <p>Ministry of Finance:  <b>the Act of 7 July 2017 on the amendment of the Act on personal income tax and the Act on corporate income tax</b> (Dz. U., item 1448) introduced the possibility of annual one-off settlement of fixed capital formation up to the amount of PLN 100,000 with a minimal value of PLN 10,000. The mechanism entered into force on 12 August 2017 with the possibility to be applied to fixed assets purchased from 1 January 2017 and payments related thereto.</p> <p>The proceeded draft act amending the Excise Duty Act and Customs Law Act (finally passed by the Sejm on 20 July 2018; part of it entered into force on 19 September 2018 and the remaining solutions will become effective on 1 January 2019) introduced regulations simplifying and facilitating conducting economic activity related to excise goods through reducing administrative burdens for entrepreneurs, and in the long run, limiting costs which they bear as well as time consuming service of entities by tax authorities.</p> <p>Ministry of Justice:  In November 2017 the draft act amending the act - the Code of Civil Procedure and certain other acts (UD309) was sent for inter-ministry consultations. It provides for the change in provisions of the Code of Civil Procedure consisting, inter alia, in introduction of separate proceedings in commercial cases, the shortening of certain deadlines binding for the parties, the introduction of more stringent time limitations in invoking allegations and evidence than in the "normal" trial, the restriction of incoming cases which can be solved by negotiations, the introduction of the possibility establishing security for a judgement before it becomes final and binding, providing the primacy of documentary evidence and the introduction of the so-called evidence contract.</p>
<b>2. Ensuring that honest entrepreneurs who have faced bankruptcy quickly get a second chance.</b>	<p>Polish Agency for Enterprise Development:  Pilot project "Early Warning Europe". As part of the support for SMEs financed from the Programme for competitiveness of entrepreneurs and small and medium-sized enterprises (COSME), the Polish Agency for Enterprise Development carries out the early diagnosis of the enterprise and the nature of difficulties occurring therein. The part of entrepreneurs are sent to mentors - experienced entrepreneurs which will provide them with support in overcoming the crisis. Consultants, together with the entrepreneur, indicate problem areas and propose further actions. The work with the consultant lasts about 10 hours. It results in: identification of the problem or development of the diagnosis and directing the entrepreneur to the further work with the mentor or development of the diagnosis and directing the entrepreneur to the consultant which will help to carry out restructuring or, in a in an extreme case, suggest that the enterprise should be closed.</p>
<b>3. Designing rules according to the 'think small first' principle.</b>	<p>Ministry of Finance:  The Act of 27 October 2017 amending the Act on personal income tax, corporate income tax and flat-rate income tax on certain incomes of natural persons (Dz. U., item 2175) introduced a number of facilitations, inter alia: (1) departure from the obligation of informing the head of a tax office on the fact that the maintenance of receipts and transfer book for tax purposes was entrusted to an accountancy office, if the entrepreneur concluded a contract for maintaining such a book with an accountancy office; (2) abolishing of the obligation of advance income tax payments if the amount thereof does not exceed PLN 1,000; (3) the change in the deadline for notification on resigning from the taxation of income from special departments of agricultural production according to the uniform 19% tax rate of 30 November of the year proceeding the tax year as of 20 January of the tax year. The solutions of the above-mentioned Act entered into force on 1 January 2018.</p> <p>On 9 January 2018 the ordinance of the Council of Ministers of 2 January 2018</p>

	<p>amending the ordinance on the conditions of granting exemptions from real estate tax and means of transport tax, representing regional investment aid, aid to promote culture and heritage conservation, sport facilities and multi-functional recreational infrastructure aid as well as local infrastructure aid (Dz. U., item 45). The amendment introduces facilitations for SMEs with respect to the allocation of aid so far existing in the programme consisting in increasing thresholds of aid to promote culture and heritage conservation as well as sport and recreational structure investment aid. The application of this ordinance was extended to new designations, i.e. Harbour and airport infrastructure aid.</p>
<p><b>4. Making public administrations responsive to the needs of small and medium-sized businesses (SMEs).</b></p>	<p>Patent Office of the Republic of Poland:</p> <p>The introduction of the system of informing proprietors pursuant to the protection right of using the trademark on the expiring 10-year protection period. Nowadays due to the failure of making a payment the protection period expires by virtue of the Act for about 6,000 of exclusive rights for trademarks. The introduction of the above-mentioned notifications will result in the assistance for the proprietor of exclusive rights for trademarks, in particular SMEs, in making payments for subsequent protection periods within the prescribed time limit. This will protect them against additional costs which have to be borne by proprietors in the case of failure to observe the time limit of making a payment (the payment increased by 30% and, in the case of trade marks, additional increase in the payment for the application for extending the protection) as well as against the expiry of trade mark protection and thus the necessity of restarting the application procedure and increased risk of raising the objection to trade mark applied for.</p>
<p><b>5. Adaptation of public policy tools to SMEs' needs: facilitation of SMEs' participation in public procurement and better use of State aid possibilities for SMEs.</b></p>	<p>Ministry of Entrepreneurship and Technology: (previously: the Ministry of Investment and Economic Development):</p> <p>On 6 June 2018 consultations concerning the concept of the new Public Procurement Law commenced. The proposed changes are to be the frames for efficient disposing of public money. They aim at improving the quality of public procurement processes and increasing the number of contracts implementing strategic objectives of the state (social, innovative, green). Furthermore, increasing the share of enterprises from the SME sector in public procurement, inter alia, by making procedures more friendly for entrepreneurs. The package of measures which aims at increasing the share of SMEs in public procurement includes, inter alia, contracts reserved for SMEs, partial payments and advanced payments, integration of registers allowing for reduction of the number of documents to be submitted by contractors applying for the contract award.</p> <p>On 30 June 2018 the Act of 10 May 2018 on the support for new investments entered into force. Thanks to it, there was a complete departure from territorial limitations in using a tax exemption instrument taking into account the principles concerning the designation of areas and determination of the period of benefiting from the tax exemption depending on the public aid intensity in the region allowed by the European Union. The possibility of obtaining support for micro-small and medium-sized enterprises was opened through fostering the increased investment flow in less developed regions which at the current stage of development are not able to meet excessive requirement of large investors, such as e.g. infrastructure or availability of human resources.</p> <p>Polish Agency for Enterprise Development:</p> <p>Public procurement for SMEs - specialised training and consulting activities targeted at micro-, small and medium-sized enterprises, concerning the market of domestic and foreign public procurement or public procurement of international organisations. Under the project the current analysis of the foreign public procurement market and public procurement of international organisations is conducted in terms of the possibility of participation of Polish enterprises from the MSMEs sector. On that basis, the training curriculum showing opportunities as well as principles and conditions of applying for contracts is created. Furthermore, the share of entrepreneurs covered by the project is monitored on the international market of public procurement. The project also includes</p>

	the support for entrepreneurs applying for particular public procurement.
<b>6. Facilitating SMEs' access to finance and development of a legal and business environment supportive to timely payments in commercial transactions.</b>	<p>Bank Gospodarstwa Krajowego (BGK):</p> <p>The establishment of the National Guarantee Fund (NGF) on 1 January 2018 in which funds resulting from the new model of financing costs and expenditure related to granting a guarantee by BGK. Furthermore, the financial assembly of funds released from financial instruments under central government operational programmes of the current and previous EU financial framework, funds reallocated from BGK capitals as well as possible voluntary participation of stakeholders in any of the periods was established. The establishment of NGF is the implementation on 1 July 2018 of a new guarantee system for SME as a sustainable, systemic support instrument of the SMEs development with the use of credit repayment guarantee.</p> <p>Obtaining a positive decision of the European Guarantee Fund on 31 May 2018 on the BGK application for the counter-guarantee under the programme Creative Europe - a guarantee instrument for Culture and Creative Sectors ("CCS"), the fundamental task of which is to improve the access to financing SMEs operating therein.</p>
<b>7. Helping SMEs to benefit more from the opportunities offered by the EU's single market.</b>	<p>Polish Committee for Standardization:</p> <p>The development of the Internet portal Wiedza (Knowledge) (<a href="http://wiedza.pkn.pl">wiedza.pkn.pl</a>) providing SMEs with the basic information on standardisation, free of charge search engine of standards as well as free of charge Newsletters from the portal's three thematic blocks and Newsletter of standards. Thanks to such features, users receive information on, inter alia, new articles, trainings and new standards from the scope they are interested in on a regular basis.</p> <p>Patent Office of the Republic of Poland:</p> <p>The Patent Office continues cooperation with the European Union Intellectual Property Office (EUIPO) in developing IT tools which contribute to facilitating the file of applications and improved effectiveness of industrial property, in particular in the area of trademarks and industrial designs within the common market. Thanks to these tools, users of the system of protection for trademarks and industrial designs are provided with an easy access to information necessary for proper filing of applications for trademarks and industrial designs, both in national and EU mode, which is of particular importance for enterprises from the SME sector.</p>
<b>8. Promoting the upgrading of skills in SMEs and all forms of innovation.</b>	<p>Industrial Development Agency:</p> <p>The project "Network of open innovations" - aiming at building of open innovation culture, i.e. encouraging entrepreneurs to develop on the basis of external, ready to be implemented innovative technological solutions (idea of open innovations). This is to contribute to gaining competitive advantage and increase in innovativeness of the Polish economy.</p> <p>The Industrial Development Agency implements the project's objectives through, inter alia, organising calls for applications and awarding grants to entrepreneurs from SME sector for the purchase of technology (transfer) in the form of intangible assets. Entrepreneurs submit applications as part of open competitions. Under the project entrepreneurs may also apply for the co-financing of advisory services related to the preparation to the technology transfer. In the period X-XI 2017 the pilot call for applications was carried out. 13 applications were submitted, out of which 2 agreements were finally signed (the process of signing of the third agreement is in progress). On 29 June 2018 the permanent call for application, under which applications will be accepted until using up the project's allocation, started.</p> <p>Patent Office of the Republic of Poland:</p> <p>On 3 May 2018 the European Commission accepted the changes in the document "Operational Programme Smart Growth" which cover, inter alia, enabling the Patent Office to implement the systemic project targeted at shaping practical skills of entrepreneurs in the use of protection for intellectual property, including industrial one. The project "IP services for business" will aim at raising SME awareness concerning protection of intangible property and indicating opportunities of taking advantage thereof. The project is another stage in building of social awareness of protection for</p>

	<p>intellectual property - the effects to date of undertakings held by the Office, inter alia, conferences, seminars, trainings will be strengthened by the service tailored to needs. It will include: the visit in the entrepreneur's seat, interview with the owner of the enterprise (obtaining information on, inter alia, the existing operation of the enterprise, R&amp;D works, exports-related plans, etc.), drawing up a report containing recommendations related to protection for intellectual property of the enterprise, sending and discussion of the report as well as indicating possibilities of using other forms of support. Nowadays the Patent Office of the Republic of Poland is carrying out preparatory works regarding the launch of the project.</p> <p>National Centre of Research and Development: The project "Industrial research and development works implemented by enterprises the so-called Fast track" is financed from the budget of the Operational Programme Smart Growth (OP SG). As part of the competition industrial research and development works carried out by SMEs and large enterprises are funded. The separate call for proposals is held for SMEs and large enterprises. In July 2017 the call for proposals for evaluation of applications and appeal procedures in the competition "Fast track for SMEs - small projects: was finished, among others.</p> <p>Polish Investment and Trade Agency S.A. Launching the programme Polish Technological Bridges - a grant for innovative SME. The programme is implemented in two stages - creating the export strategy and the second foreign stage allowing for implementation of the strategy with the assistance of Polish Trade Offices. The first call for proposals covering the United States, Canada and Mexico, was finished in July 2018.</p>
<b>9. Enabling SMEs to turn environmental challenges into opportunities.</b>	<p>Ministry of Environment: Actions aiming at resuming the programme "Greenevo - Accelerator of Green Technologies in 2018. The purpose of the Programme is to implement the environmental protection tasks of the Minister of Environment through raising market competitiveness of ecological solutions in the sector of environmentally friendly technologies. The fundamental objective of the task, financed from the NFEP&amp;WM funds is the transfer of innovative environmental technologies offered by Polish small and medium-sized entrepreneurs.</p>
<b>10. Encouraging and supporting SMEs to benefit from the growth of markets.</b>	<p>Polish Agency for Enterprise Development: Until the end of 2019 the Polish Agency for Enterprise Development implements the industry programme of the Promotion of IT/ICT sector financed from the funds of the Operational Programme Innovative Development. Its objective is to present the Polish offer of ITC products and services among foreign partners as well as the promotion of Poland as a country manufacturing advanced technologies and services, offering interesting and innovative solutions, having a potential to develop in the international arena.</p> <p>All in all, as part of the programme implementation, PARP will hold Polish information and promotion stands at 19 leading trade fairs and foreign conferences - including at events focused on start-ups - in Brazil, Japan, South Korea, USA, United Arab Emirates, Israel, Germany, Austria, Portugal and Spain. In 2017 PARP held 7 information and promotion stands at international trade fairs and conferences for the IT/ICT industry, during which about 200 Polish enterprises promoted their offer. Furthermore, Polish national stand was organised at the MEDICA trade fairs (13-16.11.2017 Dusseldorf, Germany) on which the offer of 23 enterprises from the industry of medical technologies was presented. The report on the ITC sector in Poland, containing summaries in languages of the countries in which promotion stands are organised, was published.</p>

## II. Implementation of the SBA priority areas at regional level

SMEs are often characterised by high level of integration with the region by engaging in activities at many levels of social life. Many measures the implementation of which is difficult at the central level



could be taken at the regional level. Therefore, involvement of the regions is particularly important for the further successful implementation of SBA in Poland. Selected measures from 16 voivodeships have been presented below as good practices.

Priority area	Project description
<p><b>1. Creating an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded.</b></p>	<p>Marshal Office of the Podlaskie Voivodeship: As part of funding from the Labour Fund the support was provided for unemployed persons interested in establishing and conducting their own economic activity through granting one-off funds for establishing economic activity, reimbursing the costs of legal assistance, guidance and counselling regarding establishing economic activity by poviats labour offices. In 2017 financial resources from the Labour Fund for economic activity were granted to 1,282 unemployed persons and co-financing from LF amounted to PLN 26.7 million.</p> <p>Marshal Office of the Opolskie Voivodeship: The Business Academy - organising meetings of students with local business leaders - presentation of persons who achieved a professional success. The project aimed at matching vocational schools with entrepreneurs, in particular in local dimension, shaping the labour market in accordance with the needs of entrepreneurs. Three supported classes were created under the project.</p> <p>Marshal Office of the Małopolskie Voivodeship: The works on launching the first laboratory FabLab Małopolska, which will be established in Kraków, are in progress. In 4th quarter of 2018 the professional place will open in which own projects can be implemented. FabLab Małopolska will be an open laboratory accessible for individual persons and entrepreneurs who want to create or verify adopted assumptions of the model or create a prototype fast. The objective of FabLab Małopolska is to create a stationary space available for "maker environments". FabLab Małopolska focuses on the cooperation with educational institutions, schools and universities. The stationary laboratories will be created, equipped with computer controlled machines, digital production systems, 3D printers, CNC machine tools, laser cutters and plotters. These machines will allow for creating product prototypes as well constructing electronic devices, e.g. robots, drones, models. In FabLab trainings and meetings initiating cooperation of authors and creators will be held.</p>
<p><b>2. Ensuring that honest entrepreneurs who have faced bankruptcy quickly get a second chance.</b></p>	<p>Not applicable</p>
<p><b>3. Designing rules according to the 'think small first' principle.</b></p>	<p>Not applicable</p>
<p><b>4. Making public administrations responsive to the needs of small and medium-sized businesses (SMEs).</b></p>	<p>Marshal Office of the Świętokrzyskie Voivodeship: The network of Information Points of European Funds works in the voivodeship. Specialists employed in IPEF provide entrepreneurs with free of charge consultations on possibilities of support for a given project with the use of EU funds. Information Points, meeting the expectations of beneficiaries, hold information meetings and trainings related to European Funds, the implementation of projects co-financed from the EU funds.</p> <p>Marshal Office of the Łódzkie Voivodeship: The Economic Information System was created. It consists in launching SME support tools in increasing their level of innovativeness, competitiveness and supporting internationalisation process. Under the task it is assumed to develop the knowledge base regarding services and products available in the region launching communication system with business in the form of Live Chat and hotline, creating Innovation Hub</p>

	<p>supporting enterprises from the SME sector. The Business Centre Innovation - the network of mobile advisors - is one of an element of the system.</p> <p>Marshal Office of the Śląskie Voivodeship:</p> <p>The solution, according to which the entrepreneur may provide declarations within the scope specified below instead of certificates in order to sign an agreement in call for proposals carried out by the Silesian Entrepreneurship Centre (the Intermediate Body of the Regional Operational Programme of the Śląskie Voivodeship, was applied. The Silesian Entrepreneurship Centre verifies the submitted declarations and in the case of doubts/recognition that declarations are insufficient, it calls for delivery of a relevant certificate.</p>
<p><b>5. Adaptation of public policy tools to SMEs' needs: facilitation of SMEs' participation in public procurement and better use of State aid possibilities for SMEs.</b></p>	<p>Marshal Office of the Śląskie Voivodeship:</p> <p>The project Śląski Regionalny Fundusz Poręczeniowy Sp. z o.o. in Katowice is continued, financed under the the Regional Operational Programme of the Śląskie Voivodeship for the years 2007-2013. Pursuant to the effective annex to the co-financing agreement the new product was introduced - the part of funds reimbursed from investment were launched as part of circulation in the the form of bid bond guarantee. In relation to offering preferential conditions of granting bid bod guarantee SMEs will have the possibility to participate in public procurement without engaging own funds. From March last year to March of the current year the Guarantee Fund granted bid bond guarantees for the amount of PLN 22 million.</p> <p>Marshal Office of the Mazowieckie Voivodeship:</p> <p>"Accreditation system of Mazovian business environment institutions" aims at providing a high level of services rendered by BEI for SMEs. It strives for identification of institutions applying specified standard activities and having sufficient competence and resources for effective support of SME development. The system specifies minimum requirements concerning the implementation of services customised to individualised needs of entrepreneurs. Thanks to the access to high quality services, SMEs get the chance to obtain a professional support of their activities leading to the development and increased competitiveness of enterprises. BEI accreditation is one of elements of the innovativeness support system in Mazovia. Until the end of June the total of 10 accreditations were granted.</p> <p>Marshal Office of the Kujawsko-Pomorskie Voivodeship:</p> <p>Since 2018 the Kujawsko-Pomorski Loan Fund have been implementing new projects co-financed from the funds of the Regional Operational Programme of the Kujawsko-Pomorskie Voivodeship for the years 2014-2020, acting for adjusting public policy instruments to the SMEs needs, including, inter alia, facilitating the SME participation in public procurement.</p>
<p><b>6. Facilitating SMEs' access to finance and development of a legal and business environment supportive to timely payments in commercial transactions.</b></p>	<p>Marshal Office of the Wielkopolskie Voivodeship:</p> <p>In march 2018 the competition under the Submeasure 1.3.1 Supporting business incubation was settled. It is assumed that SMEs will be able to benefit from, inter alia, accounting services, financial and legal consultancy and assistance in developing business model, business plan, market strategy.</p> <p>Marshal Office of the Lubuskie Voivodeship:</p> <p>Regional authorities systematically support business environment institutions through capital injection of existing loan funds and the fund of credit guarantees. Agencja Rozwoju Regionalnego S.A. In Zielona Góra, the shareholder of which is the self-government of the Lubuskie Voivodeship established the Lubuskie Loan Fund in its structure. It have been operating since 2005, and the acquired capital currently amounts to PLN 39.2 million. Since the inception, the Fund has paid 710 loans in the amount of PLN 70.74 million, including in the period from 1 July 2017 to 30 June 2018 paid 53 loans for the amount of PLN 7.5 million.</p> <p>Marshal Office of the Małopolskie Voivodeship:</p> <p>Małopolska Science Fund Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (FIZAN) is something new in Poland although such solutions are very popular abroad.</p>

	<p>In the next four years MARR and AGH (institutions forming FIZAN) will transfer at least PLN 20 million to the fund for the development of innovative projects. Origin Towarzystwo Funduszy Inwestycyjnych S.A. Will be responsible for managing the Fund. The fund invests in R&amp;D projects acquired at the early stage of their development. These projects will be acquired from the AGH University of Science and Technology and later also from other universities and research institutes in Małopolska. New projects will be acquired as part of long-term cooperation agreements, pursuant to which the Fund will obtain at the early stage the access to R&amp;D projects generated at these universities and research institutions. The Fund invests in R&amp;D projects in the Małopolskie Voivodeship Projects from all sectors and industrial segments are taken into account - the selection criteria does not consist in a belonging to a given industry but growth perspectives and compliance with the current regional smart specialisations.</p> <p>The total amount of the investment of the Fund and co-investors in 1 project from the PoP phase to the Extension phase will be PLN 17.25 million. The average value of the investment of the Fund and co-investors settled on portfolio companies (from the Seed phase) will amount to PLN 11.75 million. The Fund's objective is to operate on a revolving basis, i.e. The so-called "evergreen". The Fund's initial investment budget provides for the investment of the majority of funds within 4 years and the work on the development of portfolio companies until the capital exit.</p>
<b>7. Helping SMEs to benefit more from the opportunities offered by the EU's single market.</b>	<p>Marshal Office of the Wielkopolskie Voivodeship: The implementation of projects in Submeasure 1.4.2 Comprehensive support of developing enterprises' activity on foreign markets for enterprises with an export development plan. Beneficiaries were obliged, inter alia, to: a) advisory activities and development in terms of implementing new business models, b) looking for partners on target markets (analyses, elaborations), c) advisory activities concerning the strategy of financing export undertakings and export activity.</p> <p>Marshal Office of the Warmińsko-Mazurskie Voivodeship: Works on animating the cooperation of business environment institutions for improving the quality of service offer for SMEs through the coordination of the Regional Service System were continued. Nowadays 14 business environment institutions from the Warmińsko-Mazurskie Voivodeship is associated in RSS.</p> <p>Marshal Office of the Dolnośląskie Voivodeship: Organisation of Innovation Forum Media "Lower Silesia meets Babelsberg" – the meeting concerned a broadly understood media digitalisation. The forum was directed to companies related to film industry, research units, production companies and students. Its fundamental objective was to exchange experiences and establish cooperation between entrepreneurs from Dolny Śląsk and Brandenburg. The forum was an occasion to listen to lectures presenting, inter alia, situations of Lower Silesian IT market as well as Lower Silesian and Brandenburg companies and their projects.</p>
<b>8. Promoting the upgrading of skills in SMEs and all forms of innovation.</b>	<p>Marshal Office of the Podkarpackie Voivodeship: Podkarpackie Centrum Innowacji Sp. z o.o. was created. It functions as an innovation broker dealing with transferring results of R&amp;D works from research units to enterprises and it initiate cooperation between them. This entity initiates and carries out advisory activity concerning commercialisation and putting scientific research on the market, active participation in winning customers and partners for conducting R&amp;D works, supporting R&amp;D activity in the form of grants for research teams and enterprises as well as creating the environment creating innovation and new ideas in "protolab".</p> <p>Marshal Office of the Łódzkie Voivodeship: Supporting 21 entities through co-financing of the participation in seven visits to trade fairs or trade missions. During the fairs the Marshal Office provides the exhibition space at the premises of its stand and intermediates in establishing contacts or makes its co-working space available for holding business talks.</p>

	<p>Marshal Office of the Mazowieckie Voivodeship:</p> <p>The open offer contest for the task “Creating the Mazovian eco-system of supporting start-ups through co-financing of acceleration programmes” aiming at selecting acceleration programmes targeted at start-ups, whose operation scope is compliant with selected areas of the Mazovian smart specialisation. As a result of the acceleration programme, young entrepreneurs will acquire new skills and competences as well as mentoring support, which allows them for making business ideas more precise. These activities will influence the acceleration of the development of their enterprises / business projects and increase opportunities for implementing proposed solutions on the market. As part of the first edition of the contest 4 offers were submitted. The call for proposals lasted until 29 June 2018.</p>
<b>9. Enabling SMEs to turn environmental challenges into opportunities.</b>	<p>Marshal Office of the Łódzkie Voivodeship:</p> <p>An advisory support of SMEs in bioeconomy - the project consisting in setting up two advisors dealing with, inter alia, optimization of the company's biotech business agendas (analysis and consultancy in terms of full value chain), shutting down the production cycle, finding new environmental technologies.</p> <p>Marshal Office of the Podlaskie Voivodeship:</p> <p>The support concerns investments limiting material intensity and energy intensity as well as those related to recovery of secondary materials. As a result, energy, resources and material consumption should be lower per product or service unit. Eco-innovations implemented in enterprises are expected to serve the effective use of natural resources. The strengthening of the enterprises' ability to create eco-innovations should contribute to the creation of innovative “green” products and services and increase opportunities of winning new markets at the same time. The intervention concerns investments aiming at improving the quality of air in the SME sector through limiting the emission of gaseous and particulate pollutants from point sources and supporting monitoring and measuring activity. The co-financing covered projects of enterprises consisting in the introduction and modernisation of installations and devices (filters, reducing agents) as well as air monitoring systems.</p> <p>Marshal Office of the Świętokrzyskie Voivodeship:</p> <p>In the indicated area the support covered projects concerning the improvement of MSMEs energy efficiency (including RES used for own needs) aiming at reducing the consumption of water and its losses, electricity, heat.</p>
<b>10. Encouraging and supporting SMEs to benefit from the growth of markets.</b>	<p>Marshal Office of the Lubuskie Voivodeship:</p> <p>From July 2017 to June 2018 the Marshal Office organised 6 outbound economic missions to: China, Korea, Kazakhstan, Spain, France, Romania and Germany. The participants of the missions were entrepreneurs from, inter alia, furniture, metal, mechanical engineering industries, contractors performing construction works as well as contractors of electricity, teletechnical and water and sewage, industrial automation and IT networks and installations. The missions, combined with participation in conferences, workshops and visits in technology parks, enabled Lubuskie entrepreneurs to get acquainted with new technologies and materials.</p> <p>Marshal Office of the Zachodniopomorskie Voivodeship:</p> <p>The Office held the event “West Pomerania Region – a new wave of creativity and innovation”. It aimed at showing the West Pomerania and enterprises from the voivodeship as an innovative region in which numerous pioneer ideas on a global level are created. 4 enterprises participated in the presentation. The participation of entrepreneurs in this prestigious, international event allowed for the presentation of the West Pomeranian entrepreneurship as economically strong, competitive, open to innovations and development-oriented. Undoubtedly, the presentations of enterprises had a positive impact on building, promoting and strengthening the brand “Made in West Pomerania” at the international arena.</p>

	<p>Marshal Office of the Małopolskie Voivodeship:</p> <p>Project: <i>Business in Małopolska – support and development for your company and Power up your Business in Małopolska</i> in the years 2016-2018. The project aimed at increasing the support for export activity of the Małopolska enterprise, broad support of the investment process in Małopolska and strengthening of the importance of the economic brand “Business in Małopolska” at the national and international area through the professional economic promotion, targeted at key industries of the Małopolskie Voivodeship. Under the project the following measures aiming at internationalisation of enterprises were implemented:</p> <ul style="list-style-type: none"> <li>– Participation in trade fairs iFood Mashhad, Iran - trade fairs specialise in food and food processing. Over 207 exhibitors and over 12,000 visitors participate in the event.</li> <li>– Participation in the trade Fairs Expo Real in Munich;</li> <li>– Expo Future Energy Astana, Kazakhstan - the largest international trade fairs associating exhibitors from the whole world, from over 100 countries. The priority theme of the event was energy future in order to support efforts related to looking for sustainable energy solutions to satisfy the rising global demand;</li> <li>– Participation in Economic Forum in Krynica Zdrój - 5-7 September 2017.</li> <li>– Organisation of information meetings for entrepreneurs of Małopolska on the Azerbaijani market in Kraków, Chrzanów and Tarnów as well as on the Spanish market in Kraków and Tarnów.</li> </ul>
--	---