



MINISTERSTWO
ROZWOJU

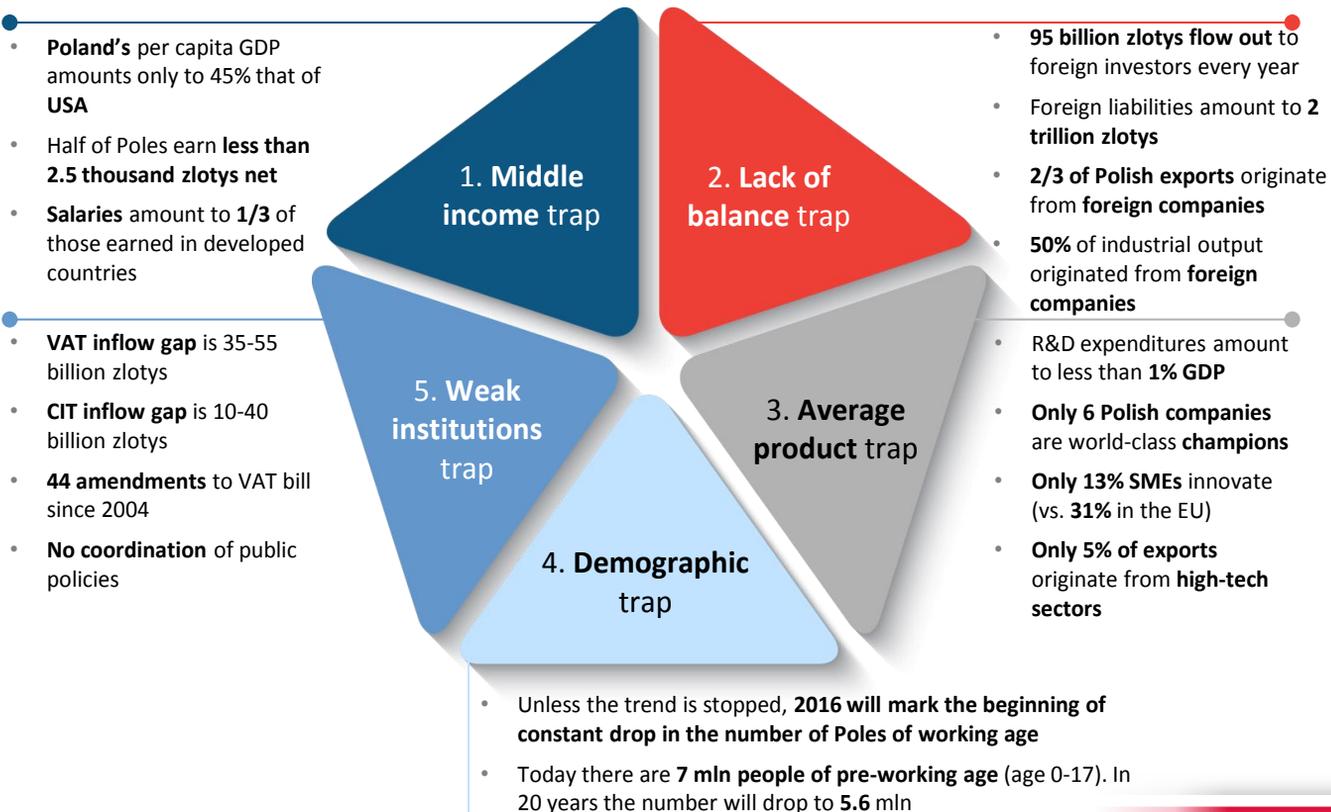
Responsible Development Plan



Poland will be either great, or none at all.

Józef Piłsudski

Poland fell into 5 development traps





Diagnosis



Our aim: to free the economy's potential to develop responsibly and improve Poles' quality of life



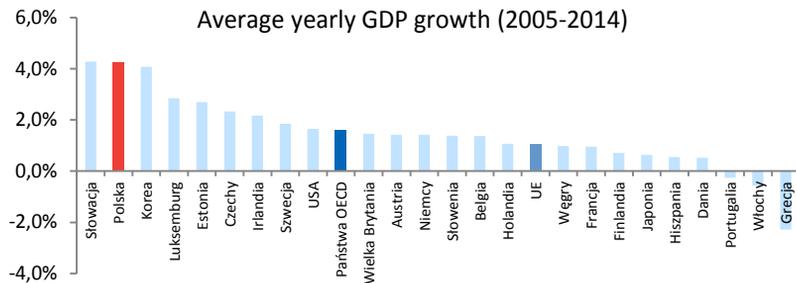
How?



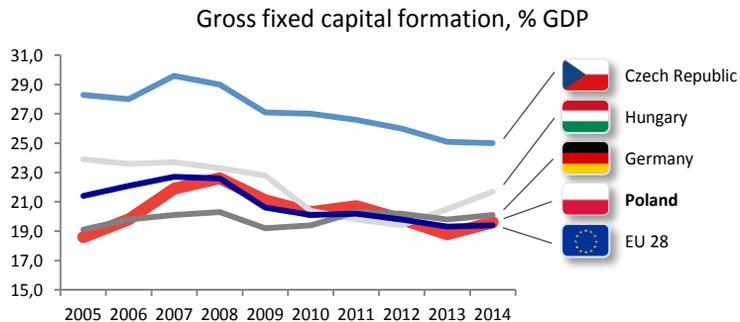
Objectives for 2020

A decade of solid GDP growth without stable foundations

Poland's GDP growth much above the EU average...



...but investments are on a downward trend

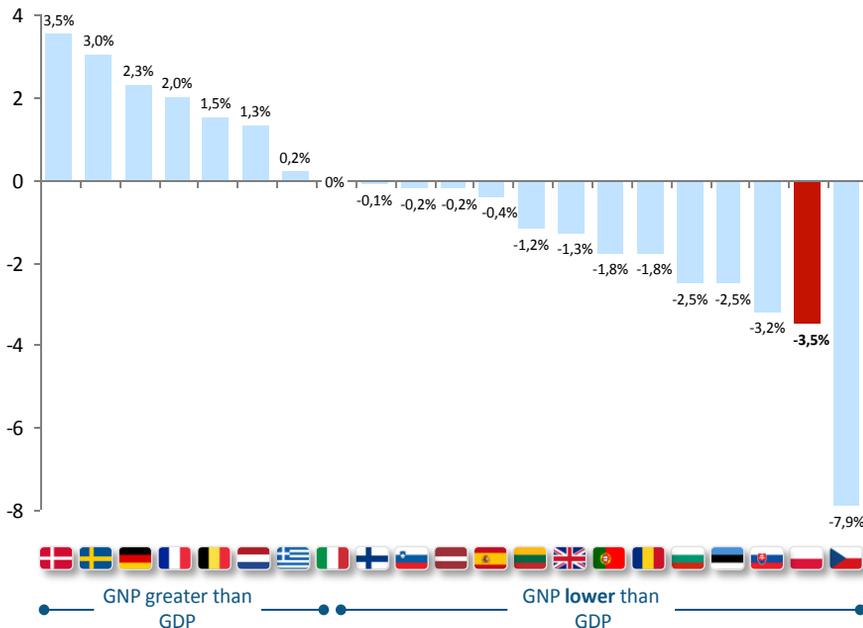


- Over the last 10 years Poland's economy grew on average by 3,8% yearly, one of the highest levels in the EU
- The **low quality of growth** traduced into an **investment level lower than the economy's potential**; since the crisis investments have less and less contributed to growth
- A growing value of consumer and government debt

GDP is not the only measure of development

Difference between GNP and GDP

(% GDP, EU countries, 2014)



GNP is the value of goods and services **produced by Poles worldwide**

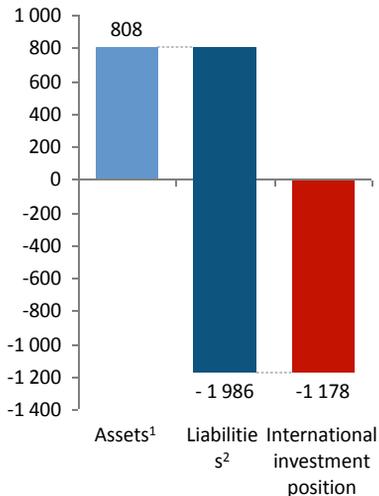
GDP is the value of goods and services **produced in Poland, regardless of the citizenship of manufacturers**

The difference between GNP and GDP is an inflow (+) to, or an outflow (-) from the Polish economy. It amounted to **-14 bln euros** in 2014

Growth should rely more on local capital

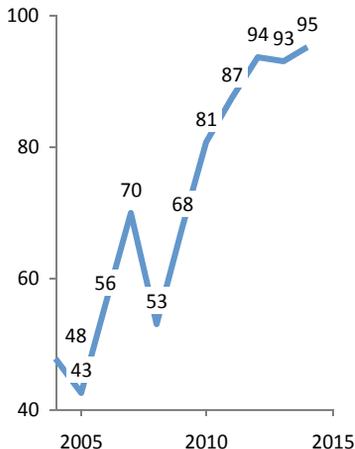
Polish FDI outflows lower than FDI inflows

Poland's net international investment position (2014, bln zlotys)



Increased cost of servicing foreign liabilities

Dividends, interest rates, reinvestments by foreign investors (bln zlotys)



This model of growth cannot be continued

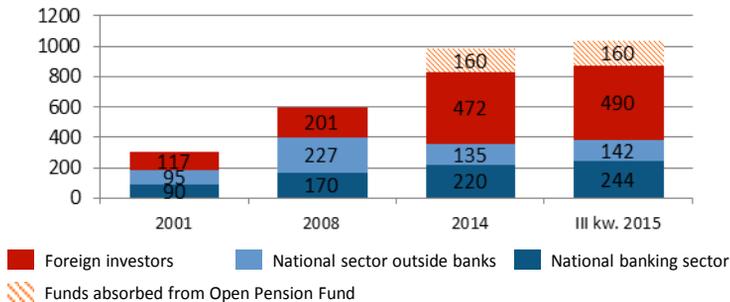
- Poland's economy growth was strongly dependent upon **foreign capital**
- Poland's liabilities towards foreign investors amount to 2 trillion zlotys, ca. **113% of GDP**.
- Foreign assets amount to only **808 bln zlotys**, of which almost half constitutes NBP's FX reserves.
- **Dependence on foreign capital costs Poland ca. 95 bln zlotys (5% GDP) - that's 1,5 times the budget of Poland's National Health Fund**

1. Including: official reserve assets, direct investments, portfolio investments, derivatives. 2. Including: direct investments, portfolio investments, derivatives.
Source: NBP, MF

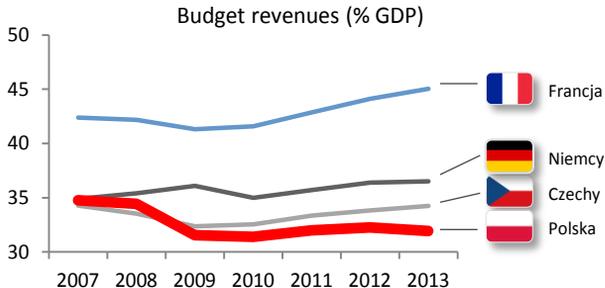
Public debt is a significant burden for the economy

Growing public debt liabilities, especially to foreign entities...

National public debt according to residence criterion (bln zlotys)



...whereas budget revenues as % of GDP fell



Source: MF, 2015, OECD

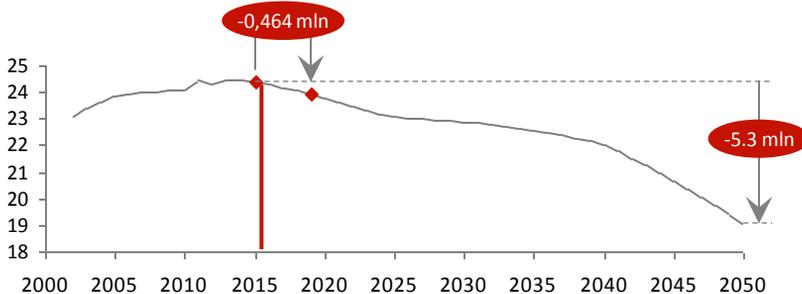
Debt service cost is a burden for the economy

- **Chronic budget deficits** result in an **increasing public debt**
- In 2012, the **cost of servicing public debt reached a record 42,5 bln zlotys, 3 times more than the expenditures for higher education** in that period; the cost is paid by all taxpayers
- **Over half** of public debt is owed **to foreign investors**, which may be a risk factor to Poland's economic stability
- This burden is a result of **neglect** on both the income and expenditure sides - **VAT income gap** is estimated at **33-55 bln zlotys**, CIT income gap estimated at **10-40 bln zlotys**

Demographic challenges impact the Polish economy

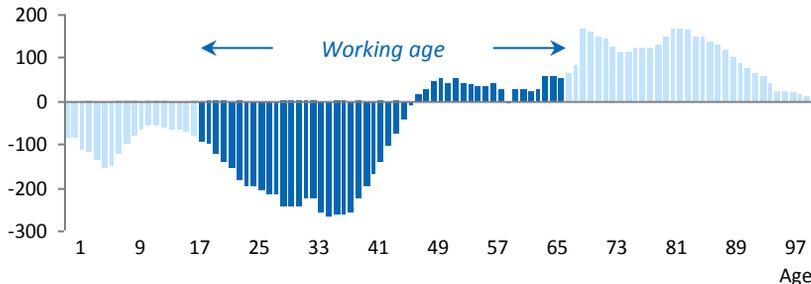
In 2016 the number of employed Poles will start to decline

Working age population (mln)



If we don't stop it, disaster is imminent

Age groups – size difference 2013 vs 2040 (thousands)



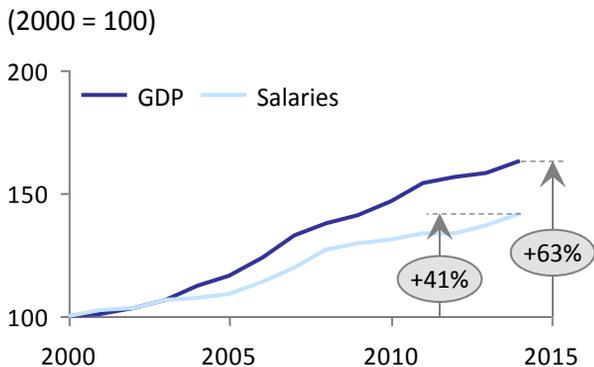
Source: Eurostat

Key consequences for the economy

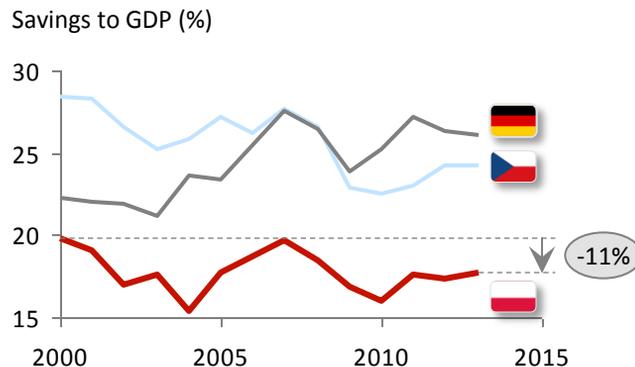
- 1 Raising contributions or default of the social security system
- 2 Increase of public debt or cuts in investment expenditures
- 3 Too little potential for increasing competitiveness
- 4 Inevitable adjustment of products and services to the needs of the elderly
- 5 Necessary acceleration of automation

GDP growth does not translate equally into Poles' wealth

Polish economy grows faster than Poles' earnings...



...and savings in relation to GDP fall

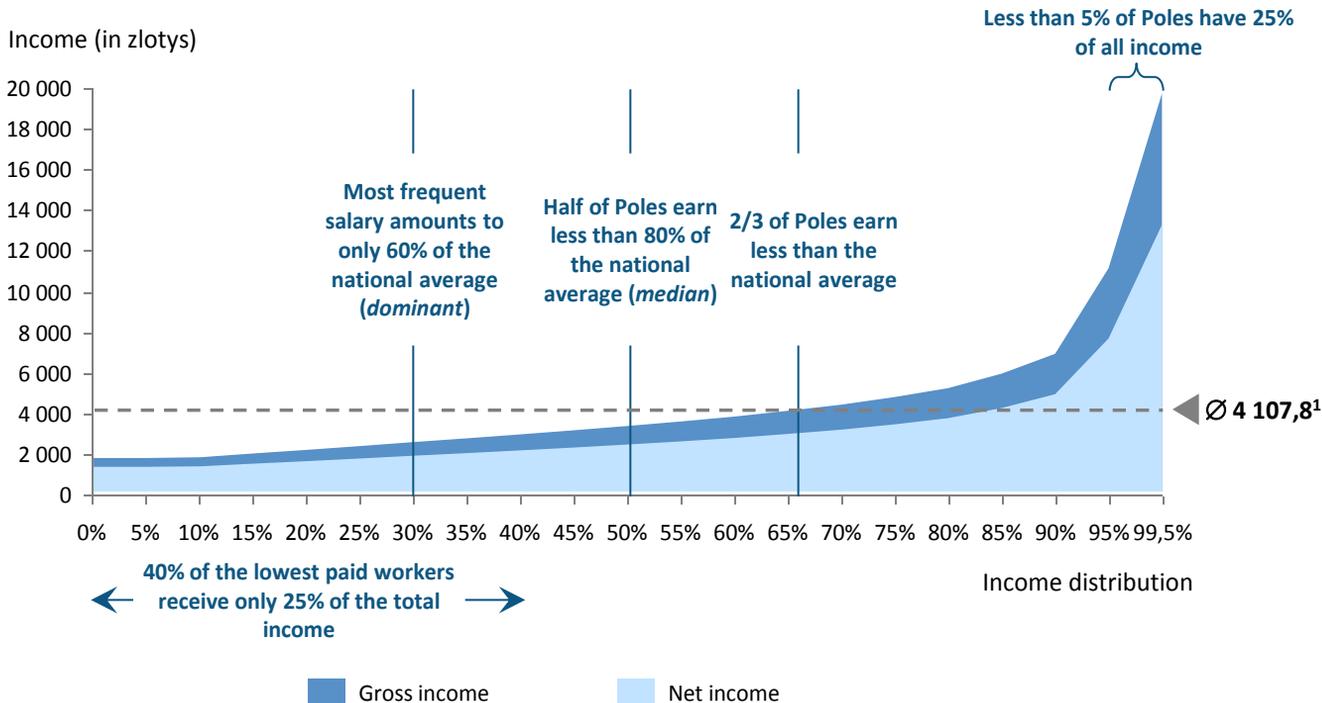


- **Poland's competitiveness was based mainly on low labour costs owing to positive demographics**
- **Despite low professional activity there is a shortage of 3 mln jobs¹**
- **We have a mismatch of qualifications despite a significant rate of people with higher education**
- **Poles have almost no savings which could provide them with financial safety and finance investments in the economy**
- **Income per capita in working households is 28% higher than in agriculture households**

1. Including 1,6 mln of registered unemployment; Unemployed and people who emigrated from Poland
 Note: Data includes real GDP and income increase according to ESA 2010 methodology
 Source: Poland's Central Statistical Office

The „average salary” myth – huge discrepancy in Poles’ incomes

Breakdown of incomes in the domestic economy



1. Average monthly gross income in the national economy (for entities employing 9 people or more) in October 2014
Source: Poland’s Central statistical Office (October 2014 data)

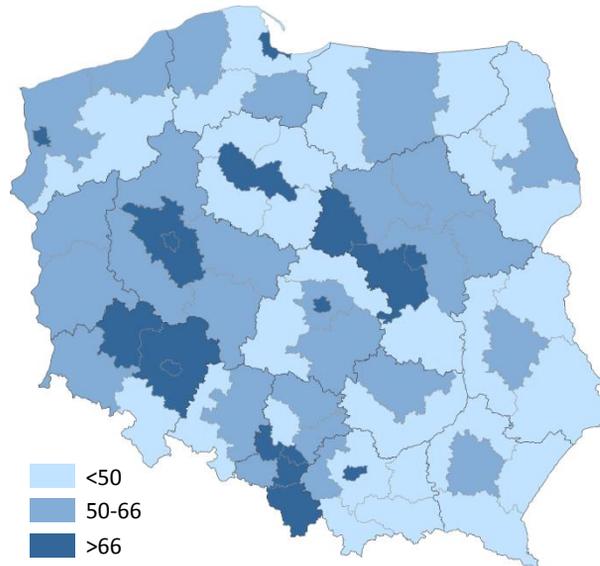
Growth concentrated in selected areas

Regional policy faces enormous challenges

- Gaps between regions and within regions are widening
- Gaps among regions, and across metropolies – rest of the country lines keep growing
- Regions of Eastern Poland have lowest GDP
- Chronic **disproportion in access to basic goods and services** between urban and rural areas
- Most significant developmental challenges are faced by small towns and rural areas

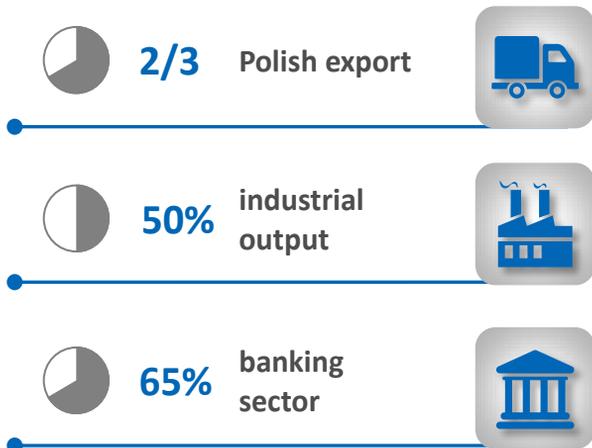
GDP per capita by subregions in 2012

UE28 = 100



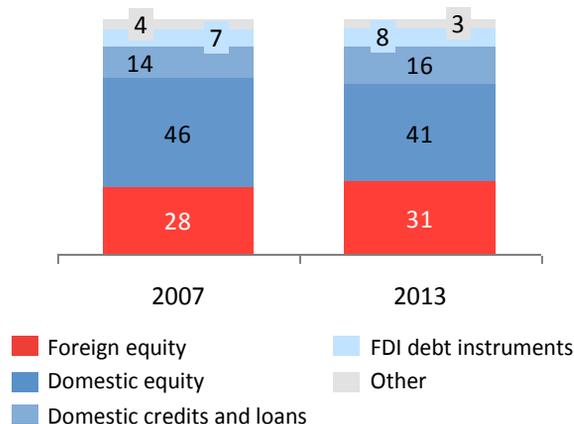
The Polish economy lacks local capital

Foreign capital responsible for crucial part of Polish economy



Ratio of local capital to investments is ca. 40%

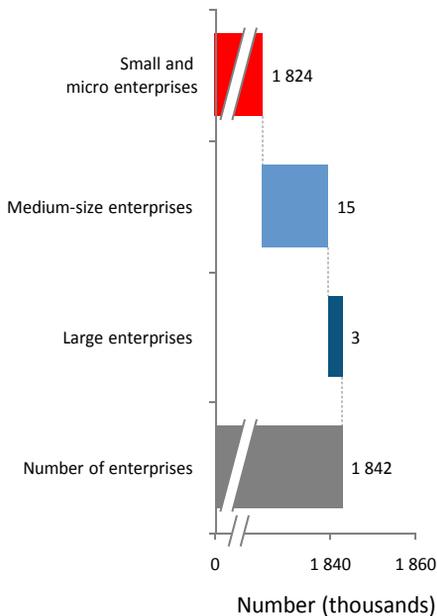
Source of financing for companies (%)



Whereas technological transfer through FDI may be important in theory, in practice it is often constrained due to a lack of domestic absorptive capacity. Hence domestic investment is also important. (Wim Naudé)

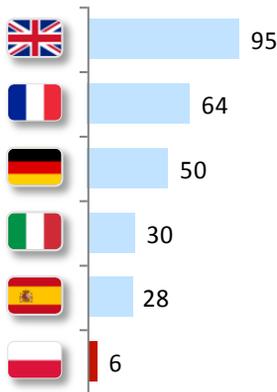
Polish companies cannot grow faster

SMEs account for most companies in Poland



Less national „champions” than in developed countries

Number of national champions
Forbes Ranking



Ratio of the number of companies
in Poland and Germany

	Medium	Large
Absolute number	x 23	x 6
Number in relation to size of population	x 11	x 3
Number in relation to GDP (PPP)	x 6	x 2

- **99,8% of companies** in Poland are **SMEs**, responsible for 2/3 of companies’ GDP and employ 70% workforce
- **0,2% of big companies** is too little for an innovative economy – big companies have more financial resources for R&D and can prevent the country from being „brain-drained”
- Polish entrepreneurs are forced to **compete internationally with low labour costs** instead of competing with high quality and innovation

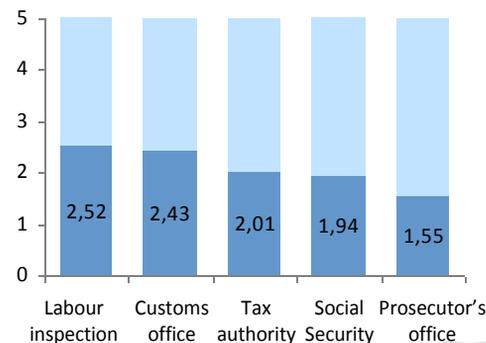
The government failed at creating a growth-friendly environment

Polish companies face many problems...

- 5** at least that many tax forms a micro company submits every year, even with no employment
- 29** million zlotys is a record compensation from tax authorities for destroying a company
- 40** public authorities that can check an entrepreneur
- 44** amendments to the VAT bill since 2004
- 50** years after employee's departure is the time an employer is obliged to keep income records
- 79%** of entrepreneurs face problems with due invoice payments
- 286** hours yearly is spent on tax-related payments
- 685** days is the average time for court ruling

...which results in a decline of trust in public authorities

Trust in public authorities (0 to 5 scale)



One needs to change the mode of thinking about tax audits – instead of focusing on bringing more revenues we should focus on pre-emptive audits.

- disclosed minutes from a meeting of the tax collecting authorities



Diagnosis



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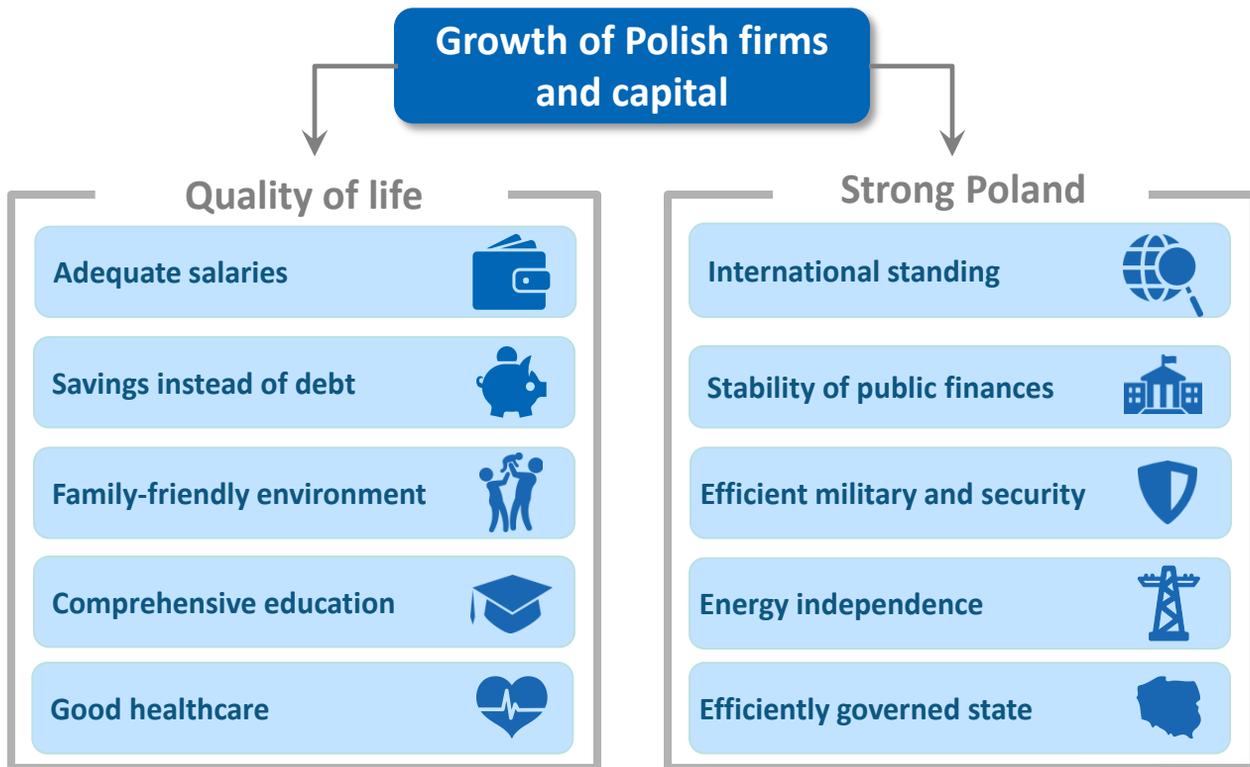
How?



Objectives for 2020



Growth of Polish firms and capital fundamental for strong and prosperous Poland





Responsible Development Plan – more Polish economy in the Polish economy



Poland must **take full advantage** of its own potential and include smaller cities and rural areas in pursue of further development, to build strong economy in all regions



Our strategic goal is to **grow Polish capital** in financial, social, technological and educational capacity



Polish companies must receive a **positive stimulus from the state**, to spur further growth and foster environment for creating highly paid jobs



Team playing is crucial – Poland must transcend institutional barriers, engage in cooperation with social partners, job providers, trade unions. State administration must serve the citizen, not the other way round.



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How?



Objectives for 2020

5 pillars of the economic development of Poland

Strong Polish economy

1



Reindustrialization

- Partnership for the strategic branches of the economy
- National Intelligent Specializations
- Clusters and industrial valleys
- Foreign investments

2



Development of innovative companies

- New „Business Constitution”
- Friendly legal environment
- Review of research institutes
- Start In Poland

3



Capital for development

- Growing savings
- European funds
- Polish Development Fund
- Juncker’s plan, EBOR, EBI, AIB

4



Foreign expansion

- Export Support Division at PDF
- Financial offer
- Strong Polish brand
- Review of business diplomacy

5



Social and regional development

- Comprehensive demographic programme
- Pact for rural areas
- Effective regional policy
- Education



Efficient state

- e-Administration
- Intelligent public procurement

- End of „departmental Poland”
- Energy – security, availability, price

Strong Polish economy

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Ekspansja zagraniczna

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„Żwirko i Wigura” programme

Assumptions

Goal

- Designing and construction of the Polish drone

Intended results

- Reaching a strong position on fast-growing unmanned vehicle market
- Further development of the Aviation Valley

Market conditions

- Projected strong growth of unmanned vehicle market (market opportunity for new players)

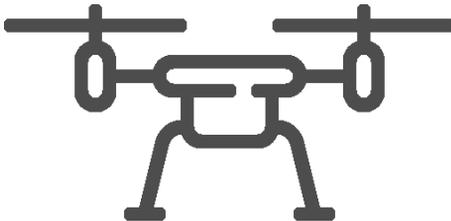
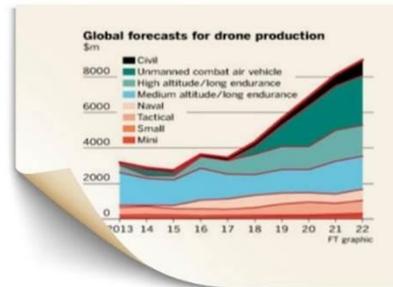
Potential for further projects

- Military drones
- Commercial drones

Project reach



Market forecast for unmanned vehicles



„Batory” programme

Assumptions

Direct goal

- Building a Polish passenger ferry (Polish shipyards and participation of foreign partners)

Intended sectoral results

- Moving Polish shipbuilding sector towards bigger and more specialised vessels, of higher value added

Market conditions

- Projected demand for Polish companies
- Dynamic growth of LNG-fueled vessels (environmental issues)

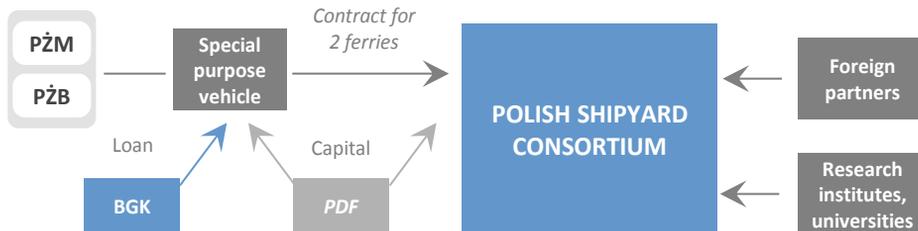
Potential for further projects

- LNG-fueled vessels (first to contract at the LNG terminal in Świnoujście)
- LPG-fueled vessels (first for propane import within the PDH project carried out by Azoty Group)

Project reach



Entities expected to engage in the project and their role



„Polish medical products” programme

Assumptions

Goal

- Commercialization of at least a dozen of medical products with export potential (with the support of public institutions)

Intended results

- Reversal of negative trade balance of Polish pharmaceutical industry

Market conditions

- Over 100 research institutes engaged in R&D projects in the pharmaceutical industry
- Necessity to maintain medicine security of Poles

Potential for further projects

- Polish medicine with high exports potential

Project reach



Entities presumed to engage in the project and their role



„Cyberpark Enigma” programme

Project assumptions

Goal

- Development of Polish companies and research institutes in cyber security and data analysis

Intended results

- Establishing a facility with sufficient potential to compete on European markets in highly specialised IT services

Market conditions

- Available infrastructure – supercomputer, data center
- Highly qualified scientists and researchers
- Numerous SMEs successfully operating in the sector

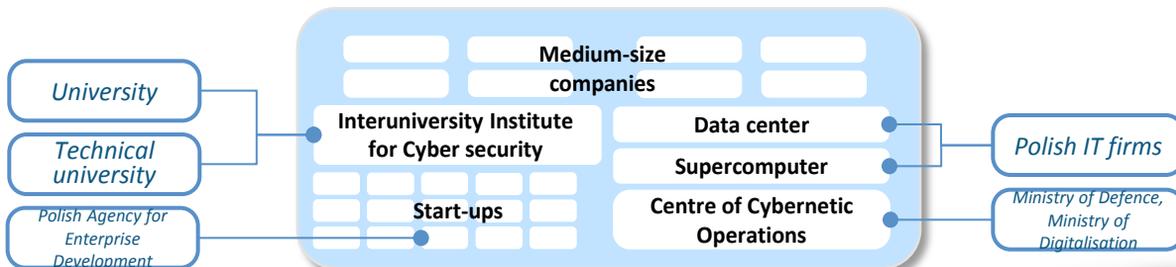
Potential for further projects

- Establishing a National Cyber Security Centre in cooperation with Ministry of Defence and Ministry of Digitalisation

Project reach



Entities expected to engage in the project and their role



„Luxtorpeda 2” programme

Assumptions

Goal

- Design and production of Polish vehicles for urban public transport

Intended results

- Establishing strong business entities along every stage of the value chain in public transport vehicles manufacturing (electric buses, trams)

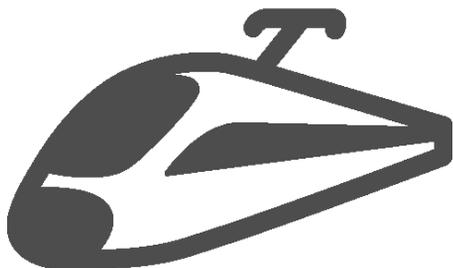
Market conditions

- Huge projects planned in the EU 2014-2020 perspective
- Worldwide increase in demand for low-carbon vehicles

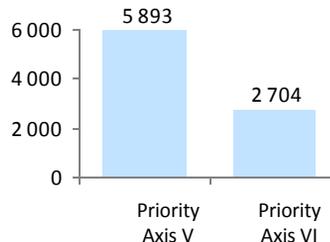
Potential for further projects

- Polish subway
- Regional trains
- Establishing of Warswa-Łódź agglomeration based on fast rail transport

Project reach



EU funds in Infrastructure and Environment Operational Programme 2014-2020 (mln euros)



- V – development of rail transport in Poland
- VI – Development of low-carbon public transport in cities

„Kazimierz Funk Biotechnology Development Centre” programme

Project assumptions

Goal

- Support for the development of Polish firms in biosimilar medicine and enabling them to enter global markets

Intended results

- Poland as a European hub of advanced generic and biosimilar medicine

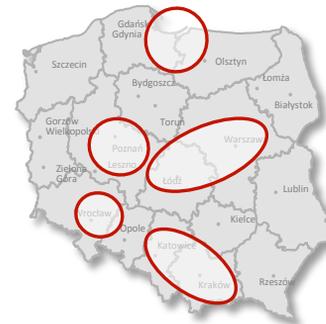
Market conditions

- Global market in its infancy
- Strong growth projected fueled by patents' expiration

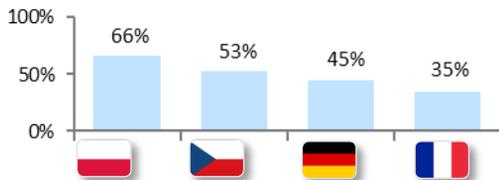
Financing:

- Grant programmes from NCRD
- Concentration of EU funds
- Investments in infrastructure - laboratories, supercomputers, big data
- Capital support from prospective private entities

Project reach



Share of generic medicine in total sales
In 2010 roku (pharmaceuticals market)



Technological parks, clusters and sectoral cooperatives

1. NutriBiomed Cluster
2. LifeScience Kraków Cluster
3. Polish Platform of Innovative Medical Technology
4. Centre of Advanced Technologies BioTechMed
5. Polish Academy of Science Consortium Biocentrum Ochota
6. InnoBioBiz Łódź Cluster

„Polish Coal-cutting Machine” programme

Assumptions

Goal

- Polish industry to gain a significant position on the global market of manufacturing mining and construction machines

Intended results

- Improved cooperation of sectors involved in mining

Market conditions

- Demand from Polish mining industry
- Potential and experience of Polish companies already engaged in expansion on foreign markets

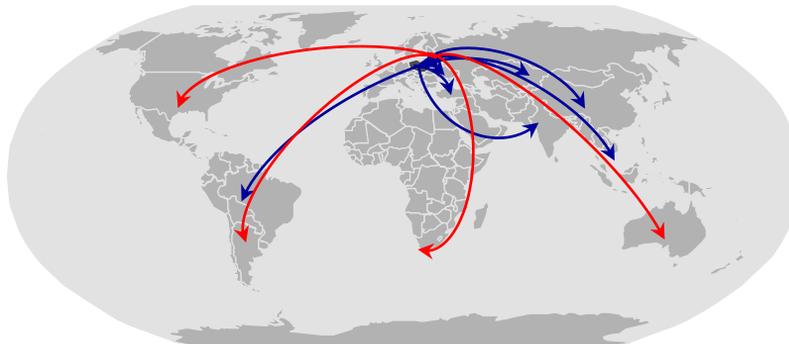
Potential for further projects

- Technologies of coal gasification

Project reach



Potential areas for export of mining machines



„Medium-sized cities as Advanced Outsourcing Centres” programme

Assumptions

Goal

- Support for Polish firms in the sector of advanced business services

Intended results

- Faster growth of the economy and income increase in medium-sized academic centres

Market conditions

- Rapid growth of business services in Poland
- Access to highly qualified workforce against the backdrop of increased demand in biggest cities

Potential for further projects

- National Centre of Joint Services

Project reach



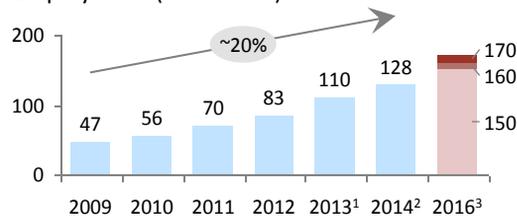
Growing significance of safe locations



- Constantly growing interest and investment in onshore locations
- Concerns also companies which have so far chosen off/nearshore locations

Business services market

Employment (thousands)



Foreign investors are welcome to join!

We search for the best investments...

Examples of criteria



Creating R&D centres



New high-paid jobs



Staff employed under contract employments



Local cooperation and supply network



Know-how transfer



Investments in areas threatened with exclusion

...and offer them our support

Examples of support



Employment grants



Investment grants



Income tax exemptions



Property tax exemptions

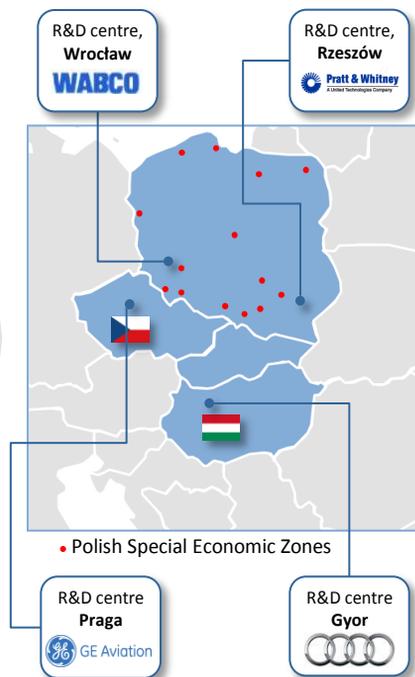


EU funds



Grants for training of staff

Regional examples



Strong Polish economy

1



Reindustrialization

- Partnership for the strategic branches of the economy
- National Intelligent Specializations
- Clusters and industrial valleys
- Foreign investments

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Development of innovative companies

- New „Business Constitution”
- Friendly legal environment
- Review of research institutes
- Start In Poland

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Capital for development

- Growing savings
- European funds
- Polish Development Fund
- Juncker’s plan, EBOR, EBI, AIIB

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Foreign expansion

- Export Support Division at PDF
- Financial offer
- Strong Polish brand
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Social and regional development

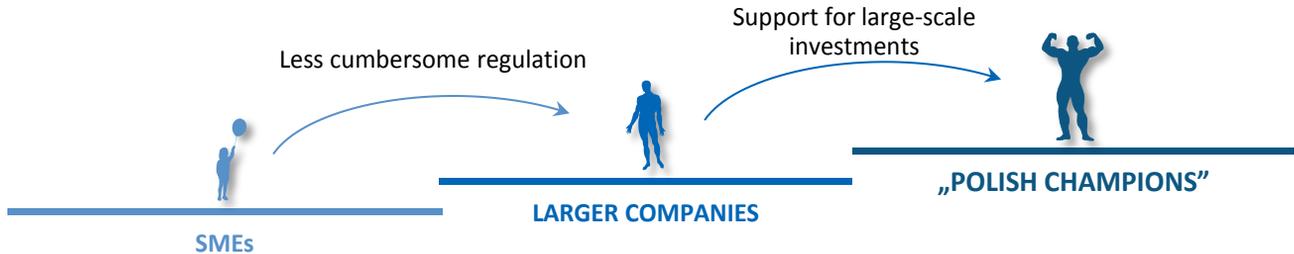
- Comprehensive demographic programme
- Pact for rural areas
- Effective regional policy
- Education



Efficient state

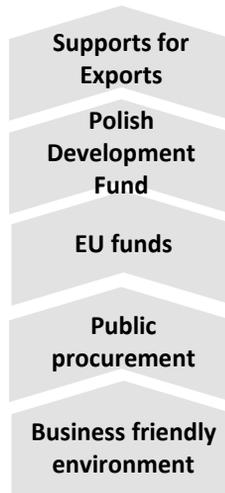
- e-Administration
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- Energy – security, availability, price

Growth of Polish firms will spur the growth of the whole economy

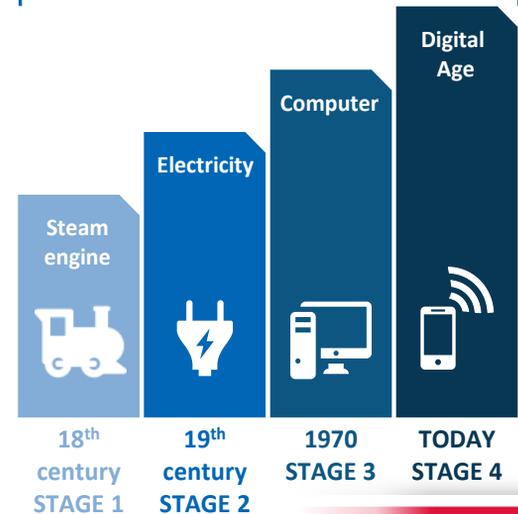


The state should support economic growth

- Instead of controlling them, the state should provide SMEs with more leeway for growth and development, and focus more on comprehensive support for business
- Larger companies are better equipped to introduce innovation, create high quality jobs, create cooperation and foreign expansion chains
- Champions have access to cheaper capital, more merger opportunities, and R+D potential

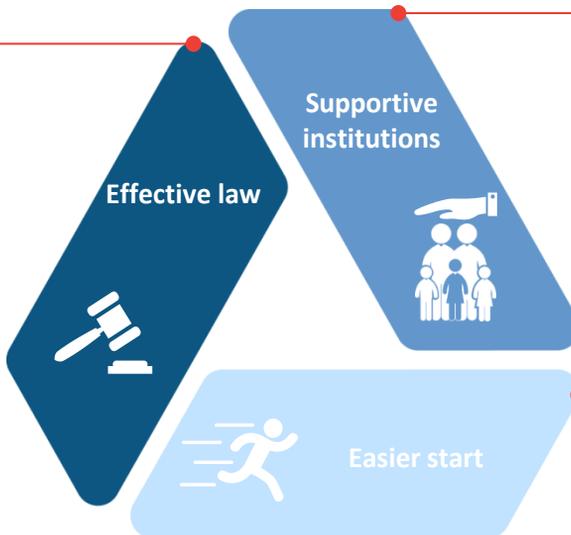


Industrial revolution



Intersectoral support for Polish entrepreneurs

- New „Business Constitution”
- Creating rules for succession in family companies
- Less burdensome tax audits
- Restructuring instead of default
- Abolishment of useless licenses
- Simple taxes – lower costs for taxpayers and tax authorities, while maintaining a good level of revenues
- Trimming legislation
- Putting sense back into law



- Billions of zlotys available from European funds
- Simplified legal forms and more financial incentives for start-ups
- Increased share of SMEs in public procurement portfolio

- Protection from retroactive law interpretations
- Less book-keeping
- Merging inspection authorities
- A friendly public administration
- Simplified and easily accessible forms
- Education and information for entrepreneurs
- Comprehensive approach to entrepreneurship, above institutional limitations

This year: New public procurement act – April 2016, New „Business Constitution”– IV qt. 2016, Action plan for SMEs – IV qt. 2016

New „Business Constitution”

Project assumptions

Goal

- Establishing fundamental rules for business activity, including relationship with pertinent institutions, reducing legal obstacles for entrepreneurs, simplified cooperation in innovative projects

Intended results

- Reduced cost of meeting formal requirements of business activity
- more innovative firms located in Poland

Market conditions

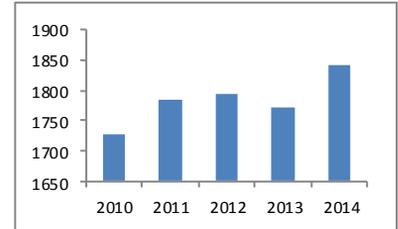
- Incoherent regulation
- No legal framework to address the current challenges of business activity

Potential for further projects

- interinstitutional review of legal framework related to business activity

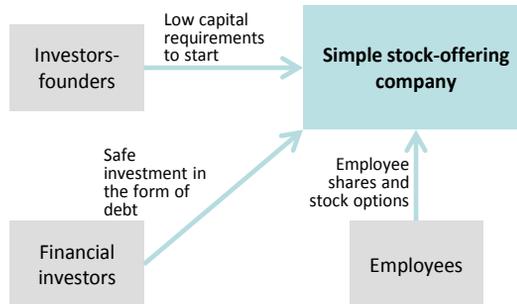
Project reach

Number of companies not financed in Poland (thousands)



Source: GUS

Simple stock-offering company – optimal legal form for start-ups



Main advantages

- most popular legal clauses defined directly in the bill
- fewer formalities
- safeguards for founders and investors
- incentives for locating business in Poland
- unleashing creative and investment potential

Innovative business leads to high-paid jobs and more profits to build Polish capital on

Goal

Business-science cooperation

- Taking advantage of the existing infrastructure (Technology Transfer centres, business incubators)
- **Review of the existing research institutes** to make them useful to the economy
- Introducing „fast lane” **strategic programmes** in PARP and NCBiR with streamline decision procedures
- Bonding innovation support priorities with other policies, eg. the industrial policy

New Innovation Act

Amendment – June 2016

- Favourable taxing of intellectual and industrial property contribution
- Expanded list of tax deductible R+B expenses
- Cash reimbursement for start-ups

New act – I half of 2017

Imminent changes

Dual use innovations



Start in Poland

- New initiative aimed at breaking barriers in commercialisation in Poland for innovative solutions created by start-ups
- Building a **network of innovation liaisons** in large companies
- New rules for EU fund financing – **1 bln zlotys from Innovative Growth OP**
- Letting start-ups finding solutions for public administration and local authorities (eg. *Smart City*)

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- Comprehensive demographic programme
- Pact for rural areas
- Effective regional policy
- Education



Efficient state

- e-Administration
- Intelligent public procurement

- End of „departmental Poland”
- Energy – security, availability, price

Over a trillion zlotys for investments in the next few years

Polish companies



- **75–150 bln zlotys** – investment potential of state-owned enterprises
- **Up to 230 bln zlotys** (on bank accounts*) – investment potential of Polish companies

Banking sector



- **90 bln zlotys** – over liquidity of banks
- strong ratio of capital adequacy

Development funds



- **75 to 120 bln zlotys** – investment potential of Polish Development Fund
- **65 to 100 bln zlotys** – BGK development programmes, i.a. National Capital Fund, Polish Fund for Growth Funds, Fund for Expansion Abroad

EU funds



- **480 bln zlotys** with domestic contribution

International institutions

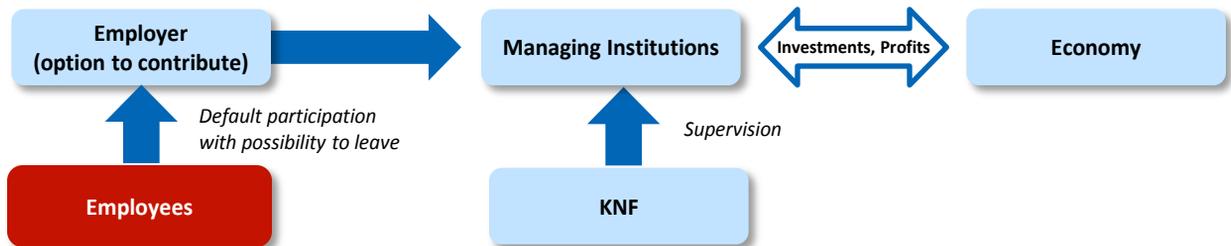


- **50-80 bln zlotys** – programmes carried out by EBOR, EBI, EFSI, World Bank, Asian Infrastructure Investment Bank

* Potential funds to be spent by willing entrepreneurs

Savings should build a better life quality for Poles

Illustrative scheme of supporting pension savings for Polish people

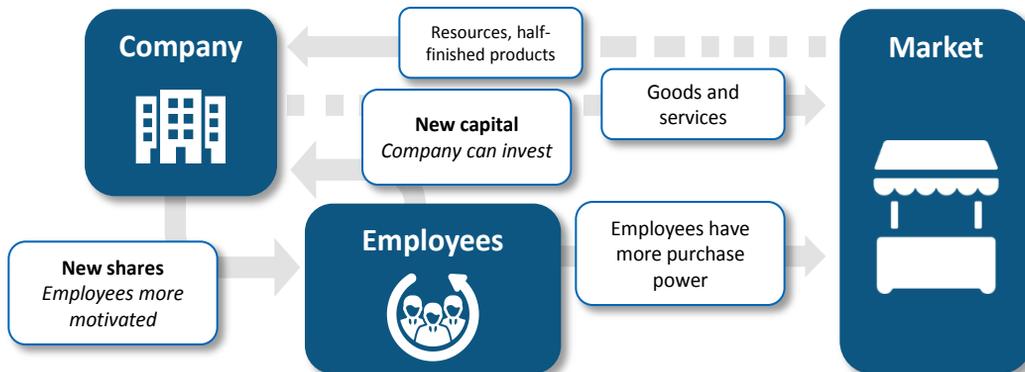


State can stimulate savings through:

- Savings programmes for employees with default participation formula based on Employee Pension Programs, Individual Pension Account, Individual Pension Accounts
- Infrastructure investment fund managed by PDF
- Promoting bonds for individual investors
- Employee stock ownership plans

Fostering savings, regardless of their size, will provide Poles with financial security in the future, and capital for economic development

Employee stock ownership to combat decline in job demand



Benefits of employee stock ownership

- Employees share the profits from raised capital
- Increased ratio of savings in the economy
- Increased work motivation
- Tighter bond between companies and employees, the latter identify with their company more

Employees' share in capital profits is crucial, because automation of the economy will result in a decline in job demand and salaries

Invest EU funds, not just spend them

Funneling funds towards projects aimed at providing Poland with sustainable benefits

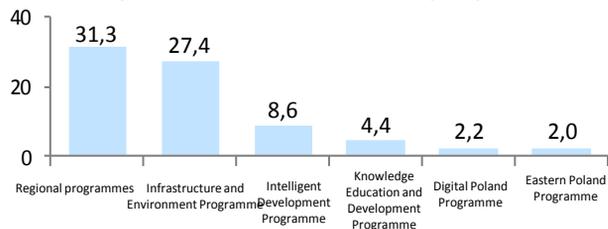
- Focusing on new competitiveness factors, i.e. innovation, business, low-carbon economy
- New mechanisms for **increased effectiveness** oriented towards results
 - Three-fold increase in repayable financial instruments
 - Integrating programmes for development of industries and areas
- **Fast-tracking** of project submission and realisation
- **Strengthened coordination** of national and regional programmes
- **New partnership** of public institutions, business, science, and society

Conclusions of 2007-2013 perspective

- Investment in sustainable growth through new infrastructure and an innovative economy
- Procedures aimed at increasing effectiveness
- Matching professional training to actual job market demand
- Discontinuing unprofitable investments that only drain public financial resources

2014-2020 perspective (+3)

Allocation of resources under EU's cohesion policy (bln euro)



Funds' expenditures will be tied with the Responsible Development Plan goals

Effectiveness-limiting competence overlap of institutions responsible for supporting development

	 Ministerstwo Finansów	 Ministerstwo Skarbu Państwa				 MINISTERSTWO ROZWOJU
Tasks	 KUKC KORPORACJA UBEZPIECZEN KRAJOWYCH EKSPozyTOW WYKŁADANIA	 BGK BANK GOSPODARSTWA KRAJOWEGO	 Invest in Poland POLSKA AGENCJA INWESTYCYJNA PROMOCJA I OBSŁUGA INWESTYCJI	 arp Agencja Rozwoju Przemysłu i A.	 POLSKIE INWESTYCJE ROZWOJOWE	 PARP
 SMEs		✓		✓		✓
 Investment		✓	✓	✓	✓	✓
 Exports	✓	✓	✓			
 Innovation		✓		✓		✓
 Promotion			✓			✓

- Lack of unified policy and strategy results in low effectiveness and high costs
- Competences scattered among institutions responsible for development are at odds with international standards

Polish Development Fund as a comprehensive tool for supporting development



Polish Development Fund

Project assumptions

Goal

- **Polish development bank** of huge investment potential
- Means of implementation of national economic policy
- Professional ownership supervision

Intended results

- **Achieving scale adequate for carrying out huge projects, key for the development of the Polish economy**

Market conditions

- Necessity to finance projects of crucial importance to Poland's development
- Capital acquisition on world markets

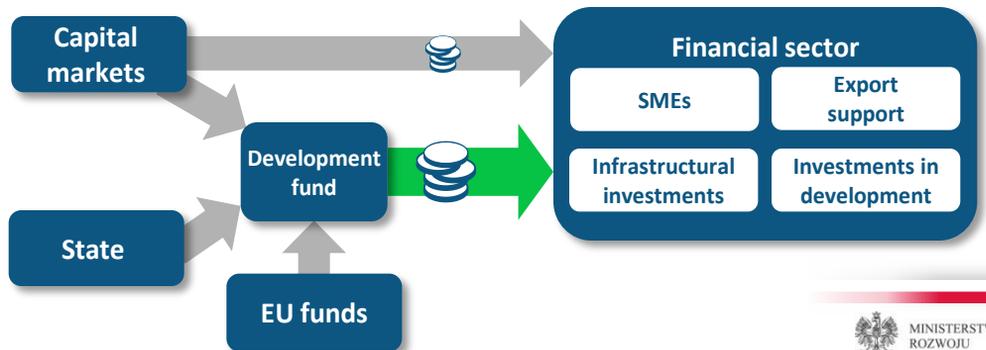
Potential for further projects

- Taking advantage of the cooperation with state-owned companies (ia. PZU, PKO BP)

Project reach



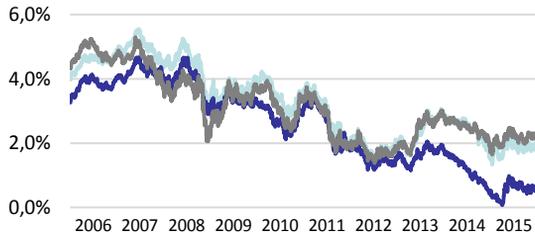
Optimal operational model



Effective use of resources from international institutions

Low interest rate on bonds

Bond interest rates



Great Britain Euro Zone United States

- Developed countries have capital surpluses, but lack interesting investment opportunities
- Infrastructural projects can provide higher profitability, so preparations should be intensified to come up with projects that might be interesting for foreign investors with access to cheap capital (ie. pension and infrastructure funds)

Foreign investment funds already present or interested in entering Polish market



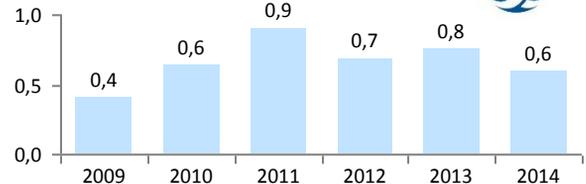
EBI and EFSI (Juncker's plan)

- Juncker's plan (EFSI) amounts to over 60 bln euros for investments
- Poland has a chance to become one of the main beneficiaries of the programme
- State-owned companies should intensify project preparation
- More should be done to increase awareness of the programme among private enterprises

EBRD

- Negative trend should be reversed and to increase engagement of EBRD in financing the development of Polish economy
- EBRD partnership required in crucial infrastructure and energy project

Yearly EBRD investment in Poland (bln euros)



Strong Polish economy

1



Reindustrialization

- Partnership for the strategic branches of the economy
- National Intelligent Specializations
- Clusters and industrial valleys
- Foreign investments

2



Development of innovative companies

- New „Business Constitution“
- Friendly legal environment
- Review of research institutes
- Start In Poland

3



Capital for development

- Growing savings
- European funds
- Polish Development Fund
- Juncker's plan, EBOR, EBI, AIIB

4



Foreign expansion

- Export Support Division at PDF
- Financial offer
- Strong Polish brand
- Review of business diplomacy

5



Social and regional development

- Comprehensive demographic programme
- Pact for rural areas
- Effective regional policy
- Education



Efficient state

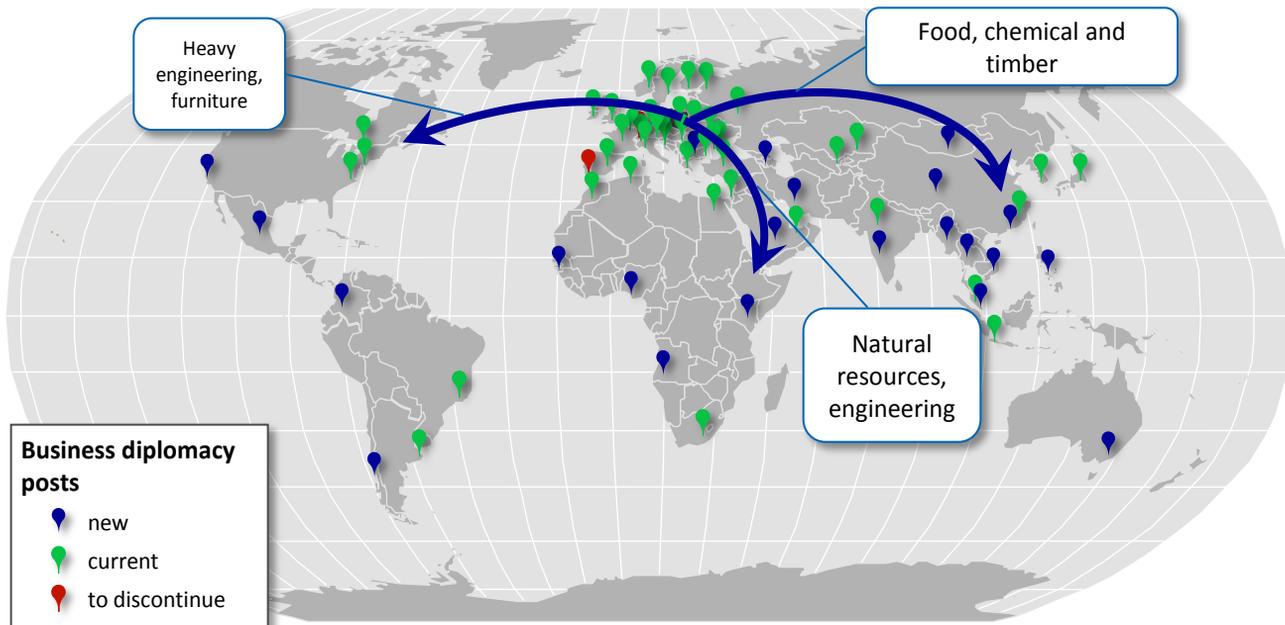
- e-Administration
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Support for the global expansion of Polish companies

- Institutions consolidated at the central level
- Activity oriented towards actual needs of entrepreneurs
- Broader availability of business information through local authorities
- Consolidation of trade and promotional services with focus on results (economic diplomacy)
- Integration of information resources



Support for new directions in Polish companies foreign expansion



- European markets remain crucial for Poland
- Increased activity on prospective markets – Asian, African and North-American

Professional support of exports

Project assumptions

Goal

- Establishing a support for exports division within the Polish Development Fund
- Expanding the Polish economic diplomacy network
- New operational model for trade posts

Intended results

- Rise in exports to EU markets
- Opportunities for expansion towards new markets
- Economic diplomacy *push up* towards Asia and Africa

Market conditions

- Expanding to new markets essential for companies to reach their „national champion” potential
- Insufficient domestic demand for innovative products

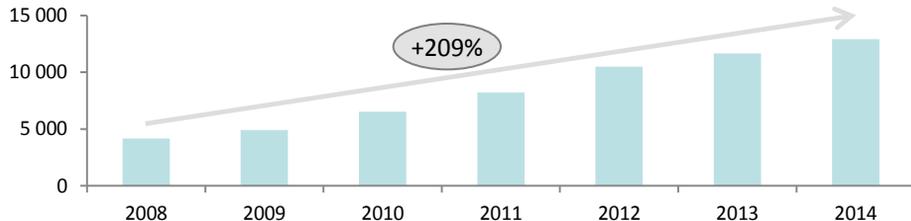
Potential for further projects

- Visas for entrepreneurs – incentives for founders who could develop their ideas in Poland

New trade posts



Value of exports to countries where new trade posts are planned (mln PLN)



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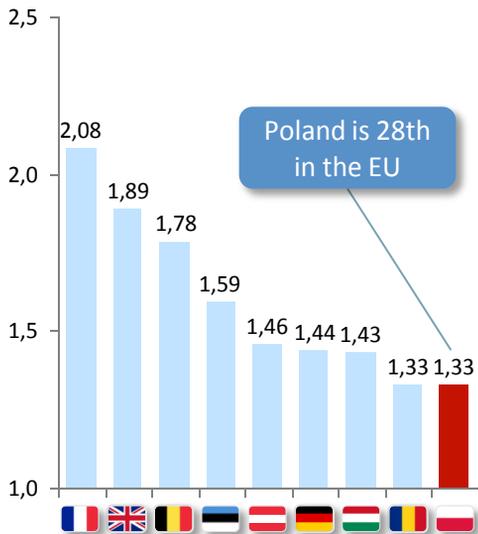
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Children are the best investment

Birth rate in Poland among the lowest in Europe

Birth rate in selected EU countries



There is no development without improving demography

Step 1

500+ Programme

April 2016

- As many as 20 EU countries do support families with direct subsidies
- Expenditures for demography translate into birth rate
- Expected increase in the number of new born children by 10% over the next few years

Step 2

Comprehensive demographic programme

2017

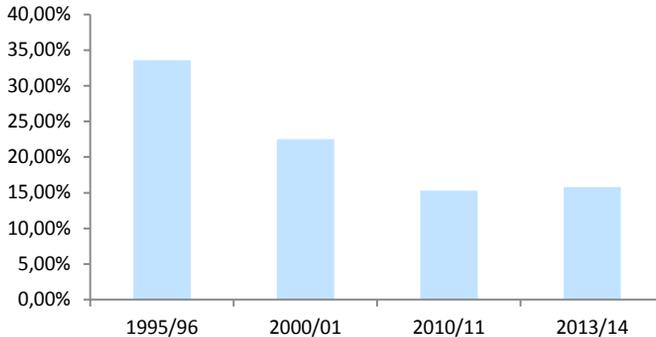
Interministerial demographic programme:

- Child care
- Pregnancy care
- School regulations
- Effective labour market policy and encouraging Poles to come back from abroad
- Healthcare and pension systems

Vocational education matching the demand of job market

Poland needs more people with vocational education

Share of vocational education students in relation to high school students (I class)



BiBB Germany: Federal Institute of Vocational Education

- Established in 1970 as an institution responsible for creating policies, research and practice in vocational education
- BIBB board comprises representatives of industry, trade unions, local authorities and government
- Its main tasks cover:
 - Identifying future challenges in vocational education
 - Designing innovative educational systems

Plan to adjust education to market demand

1 Dual model of education with apprenticeship

Education in real working conditions

2 Active participation of business in education planning

Programme adjusted to current and future businesses needs

3 Developing Practical Education Centres

Life-long learning and optimisation of education costs

4 Modular educational offer

Flexible adjustment of individual needs and job planning for employees

5 More engagement from Special Economic zones

Increased investment competitiveness of the Polish economy

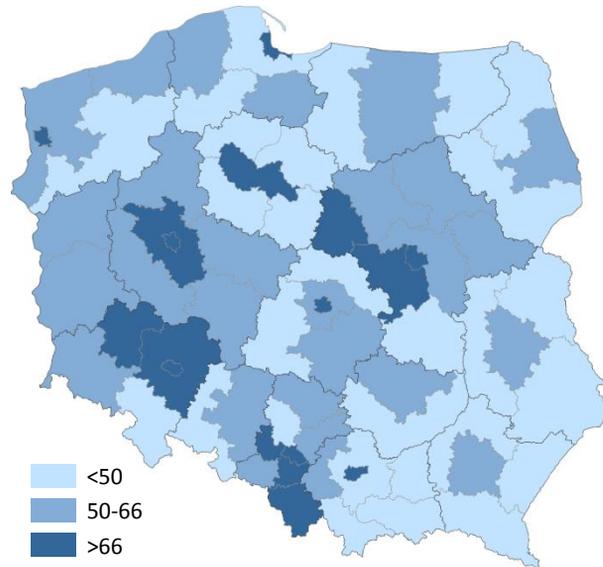
Polish development must be based on the development of Poland's regions

Necessary increase of effectiveness and dimension of regional policy

- Comparable access to public services for all Poles (eg. kindergartens, nurseries) and job market
- Integrated approach - **preferences for partnership projects** that address common problems of given regions, eg. joint plumbing systems for neighbouring towns
- **Dedicated support**, eg. Eastern Poland Operational Programme
- Countermeasures for areas threatened with exclusion
- **System of incentives for improved use of own resources:**
 - Building human and social capital
 - Stimulate innovation and industry (eg. through regional intelligent specialisations)
 - Incentives for private investment

Breakdown of GDP per capita by subregions in 2013

EU 28 = 100



Inclusion of small towns, rural areas and family farms in the development processes



Diversified, profitable agriculture, combating poverty and exclusion, and efficient management of natural environment and cultural heritage

- Development of local markets, eg. agricultural and food (local processing and direct sales).
- Entrepreneurship and job mobility in rural areas, taking advantage of local and subregional economies;
- Increased employment – infrastructural accessibility of rural areas (eg. road construction), flexitime employment, remote work;
- Resilient, multifaceted family farms;
- Use of renewable energy;
- Programmes for revival of small towns (strengthening their economic, social and cultural functions);
- Growth of local markets (including agri-food, eg. local food processing, direct sale);
- Sustained agricultural production sector providing for securing food supplies ;
- Inclusion of family farms in profitable high-quality food production, especially based on traditional, GMO-free products, eg. honey from Białowieża Forest

The pact for rural areas is a programming document aimed at integrating various stakeholders in the development of rural areas

Specialisations of Eastern Poland

Assumptions

Goal

- Development of Eastern Poland regions through building on their advantages by investing in crucial state projects
- Building essential infrastructure, especially express motorway S19 Białystok-Lublin-Rzeszów

Intended results

- Establishing companies with export potential, offering high quality jobs

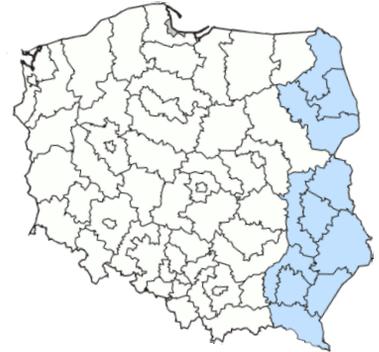
Market conditions

- Additional EU financing within the Eastern Poland Operational Programme

Potential for further projects

- Wilno-Białystok-Lublin-Rzeszów railway
- Coal 2.0 – development of Lublin coalfield

Project reach



Illustrative initiatives

Białystok

- Eastern Construction Cluster – further development and R+D investment in passive construction solutions and their commercialisation
- Advanced Business Services Centre – establishing locations competitive to bigger cities

Lublin

- Eco-Food Valley – further development of the existing cluster
- Clean Coal Technologies – building modern installations for coal gasification

Rzeszów

- Aviation Valley – drawing small innovative firms and establishing a chain of cooperatives
- AirIT – centre for aviation software, especially for drones



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Intelligent public procurement will spur development of the economy and job market

Yearly public procurement

8% GDP = 160 bln zlotys



Introducing unified procurement policy at government level can bring savings amounting to 5-12%

Priorities of intelligent procurement policy

Impulse for development → more economy, less formality

Impulse for innovation → state as a demanding customer

Impulse for entrepreneurship → growth for companies (especially SMEs)

Impulse for employment → creation of valuable jobs

Impulse for cost reduction → procurement processes more professional

Impulse for supervision → PPO a strong regulator of the procurement system

Key rules of new procurement policy:

- 1 No longer lowest price as a criterion
- 2 Taking into account maintenance costs
- 3 Easier procedures for SMEs
- 4 Added value for innovation
- 5 Promoting job stability procurement agreements

State as a demanding customer, oriented towards technology creating a demand innovation stimulus through procurement of high quality goods

e-Government

- Medical files sent electronically
- E-prescriptions
- **Appointment to see a doctor – no queues**

- **Faster registration of 500+**
- Scholarships
- Discounts, Large Family Card
- Subsidies for farmers
- Modern educational services widely available regardless of location

- **Reliable information about Poland (history, culture) on the internet, translated into foreign languages**
- Digitalisation and distribution of cultural and national heritage assets
- E-tickets to cultural institutions (museums, theatres, galleries)
- Card to sporting facilities

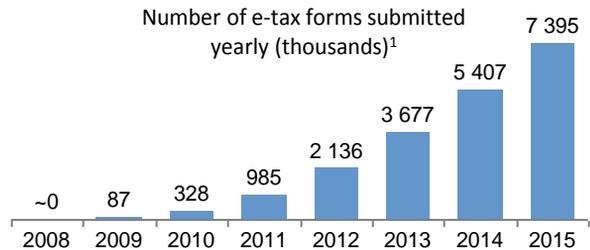


- More e-tax forms
- Developing the e-inspectorate
- Central Invoice Register
- **Big data systems supporting tax collection**
- Secure digital identity(PL_eID)
- Public and commercial use
- Services of Public System Registers
- Widely available digital authorisation

Cooperation of ministries crucial for e-Administration success

Digitalisation means convenience and more money to the state and Polish families

Poles widely use e-government services, so it should become a rule, not an exception



Goals

- ! Internet the leading communication channel with the government
- ! Orientation towards needs of the citizens
- ! Easier access to public information
- ! Coordinated digitalisation

Paperless Poland – electronic document flow in government and economy



- Less paper – lower costs, easier and faster procedures more convenience for the citizen and entrepreneur
- Digitally protected documents less prone to forgery (30 thousand forged paper documents yearly)
- Electronic invoice – convenience and security for companies
- Privacy protection for citizens – Chinese walls
- Data in *open data* model will allow stronger public scrutiny

Cashless Poland – nationwide payment system



- Cashless financial flow is more secure
- Could be used to pay for simple administrative actions
- Costs related to servicing benefits will fall both for the citizen and the government
- Lower commissions of transaction for companies
- Intelligent checks will increase tax revenues and will omit honest firms
- **Poland will become independent of foreign systems**

1. The number refers to tax forms submitted on a given year
Source: MF

Solid public finances as a foundation of responsible growth

- State should set an example of reasonable public finance governance
- Public finance sector deficit kept under 3% of GDP in the short term
- In the medium- and long-term perspective decreasing the deficit and public debt to GDP ratio

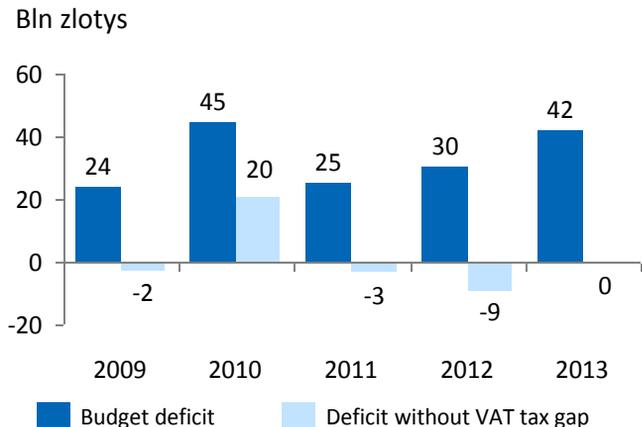
Revenue side resources

- Strategy of increase tax revenues
- Sectoral taxes

Expenditure side resources

- Lower costs thanks to higher effectiveness of tax authorities
- More professional purchase policy

Increased efficiency in VAT tax collection could wipe out budget deficit



National Tax Administration

Improved service for the taxpayer

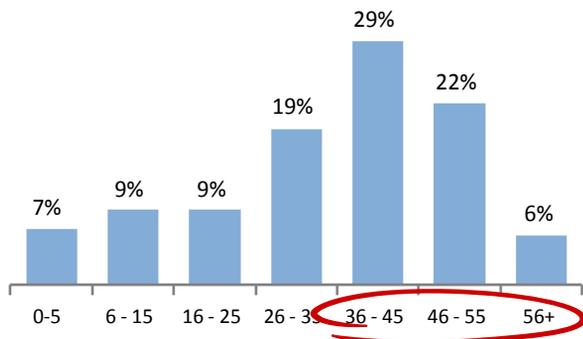
Professional action against tax evasion

Effective collection of liabilities

Energy policy to safeguard Poles and Polish firms against high energy costs

Energy sector needs investment

Age of energy blocks



Additional risk factor of uncontrolled energy cost increase:

- Prospective price increase in emission allowances via ETS
- Costs of meeting European air quality requirements

Energy for development

Goals:

- **Long-term energy policy to unlock investments after 2020:**
 - Avoiding blackout
 - Independence from energy import
- **Energy efficiency** of companies and households

Means:

- **Diversification** of oil and gas supplies
- Energy market **infrastructure development**
 - eg. energy bridges, technologies of electric current storage
- **Unleashing** market sectors and power mechanism market
- Support for low-carbon energy sources
- Taking advantage of Poland's **geothermal potential**
- **Individual Energy** production – development of home power stations

Transport infrastructure as a bloodstream of the economy

Infrastructure development is crucial for the development of Polish regions

- Review of transport projects (national and regional) – identification of filled network gaps
- Necessity to include territorial dimension in planning road and railway investments – official documents must not be territorially „blind” to the needs of regions
- Benchmark effectiveness for state-funded transport projects (eg. how the amount of investment translates into connections speed, traffic density etc.)

Finishing road transport network is necessary...



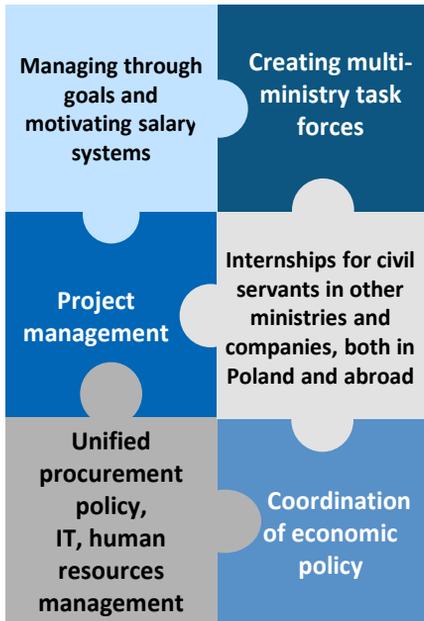
- Investments finished or under construction
- New investments in National Road Plan
- Investments as special purpose road companies

...as well as catching up with railway projects



- Existing infrastructure
- New projects

Efficient and effective government model



Benefits

- ✓ Modernisation of government
- ✓ Higher competences
- ✓ Improved government efficiency
- ✓ Lower costs
- ✓ Faster processes

Good practices – examples of breaking institutional barriers



- Representatives responsible for innovation in federal agencies



- Major Projects Management Office coordinating execution of major public projects



- Major Project Authority, 30-40 independent supervisors of strategic projects financed by state



- Major Project Facilitation, authorising major public and private investments

Development of Poland is a systemic, not ministerial challenge



Diagnosis



Our aim: to free the economy's potential to develop responsibly and improve Poles' quality of life



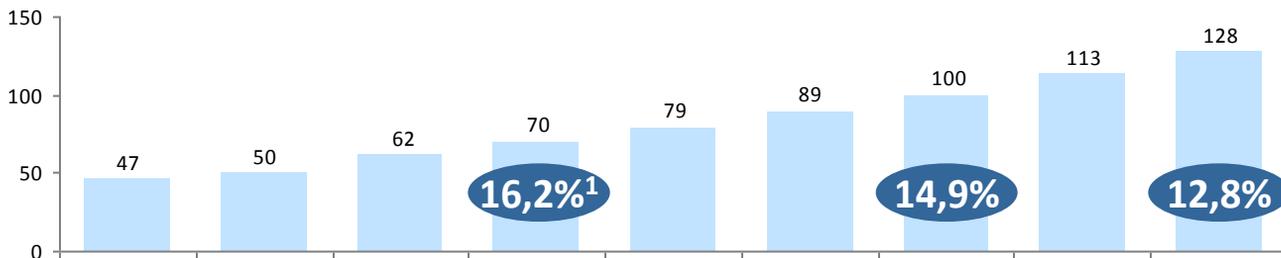
How?



Goals for 2020

Social effects of Strategy for Responsible Growth

Poland and UE convergence in relation to GDP per capita (form 2015 on - forecast)



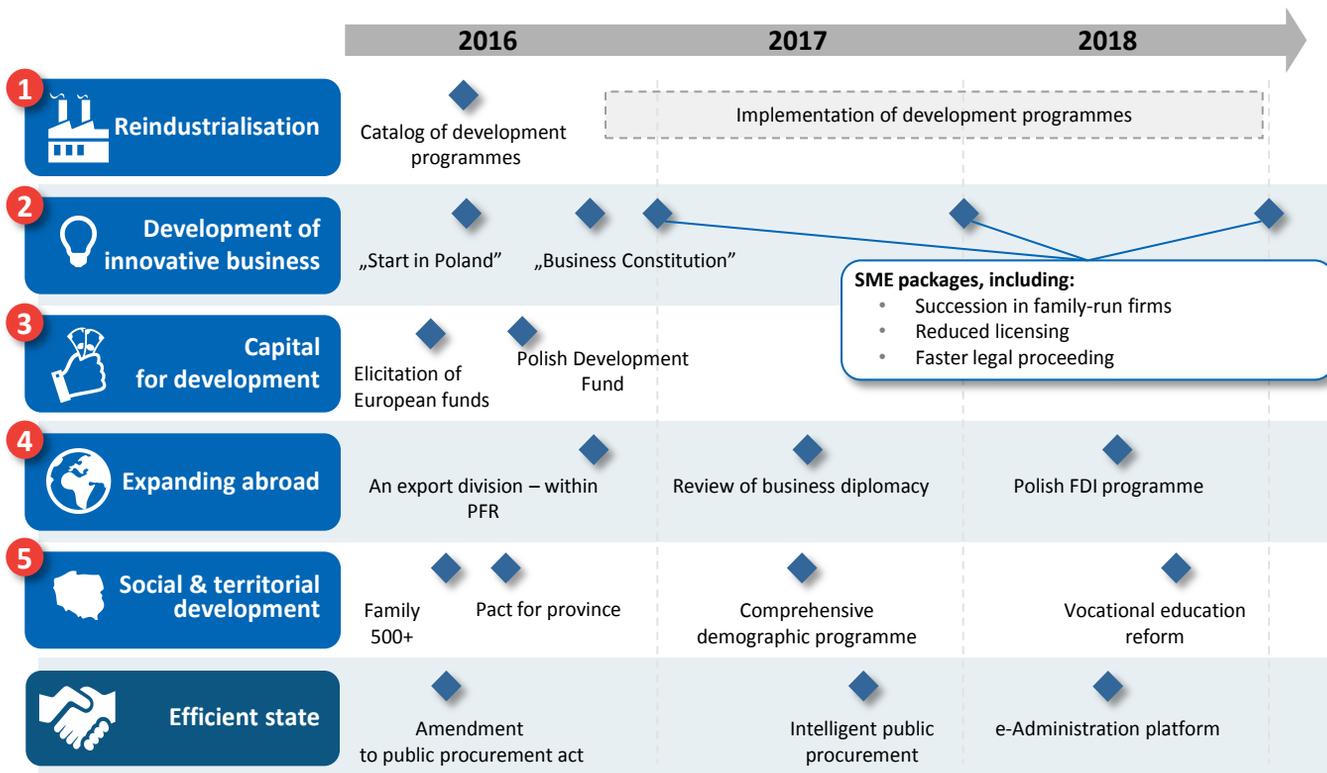
XXX Ratio of relative poverty risk (%)

All Poles will enjoy the benefits

- **Integrated approach** – comprehensive action adapted to regions’ unique characteristics
- Inclusion of **local resources** and support for **rural areas**
- **Incentive system for more efficient use of own resources:**
 - Development of human and social capital
 - Stimulating innovation and industry (intelligent regional specialisations)
 - Environment for entrepreneurship, incentives for investing private capital

1. For 2014

Schedule - key actions



Goals for 2020

