

## One-Stop Shop for Foreign & Domestic Investors



Juliusz Kłosowski and Witold Żygulski talk to Tomasz Pisula, president of the Polish Investment & Trade Agency [PAIH] (excerpts):

### **The Act adopted in August of this year defined PAIH's position on the Polish economic scene anew; can you outline the most important changes?**

There are three primary reasons why the Act is important. Firstly, it identified the Agency as the central point on the map of national economic agencies, engaged with foreign expansion of Polish entities. Secondly, the Act defined how the Agency is to be financed, an area which until now was somewhat blurred from the legal standpoint.

Thus, we have acquired the opportunity to obtain targeted subsidies and special subsidies; we are able to take advantage of European Union funds as well as funds handed over in the form of capital injections by the Ministry of Economic Development within the scope of its ownership responsibilities towards PAIH. The third element is the departure from the WPHI model prescribed in the Act (Investment and Trade Promotion Departments, operating by embassies and consulates, subordinate to both the Ministry of Foreign Affairs and the Ministry of Economy). That system did not function well, and tended to cause embarrassment rather than pride for the Polish administration. The Act foresees its dismantling within three years of its entry into force. To replace WPHI our Agency will open a network of Trade Offices.

This will be one of our tasks, stemming directly from the strategic objectives specified in the Sustainable Economic Development Plan, announced when PiS came to power by Mateusz Morawiecki, the Deputy Prime Minister. Streamlining the Polish economy promotion system is of key importance.

### **For years we have been dealing with various institutions competing amongst each other in this area is it fair to say that now the Agency will be the primary coordinator when it comes to promoting Poland?**

I think that we managed to sort out most controversies amongst the Ministries, before the Act left the Ministry of Economic Development on its way to the parliament. We based the adopted model on that which is in place in Britain and France.

On the one hand we want the Agency to acquire markets and orders for Polish businesses and on the other, for the Ministry of Foreign Affairs to use its diplomatic prowess in order to ensure the right political climate for the actions of these businesses in given countries. And that is the clear-

cut distinction between the world of politics and cut-throat business.

Of course, in today's reality, diplomacy often primarily boils down to economic issues; some countries apply unwritten barriers to protect their internal markets from external competition. Polish businessmen often point out such practices in the European Union. Thus, flair, knowledge and skills are required from diplomats in order to dispel these issues at the diplomatic level. Nevertheless, when it comes to supporting Polish companies, generating requests for quotations, searching out market niches etc., it is sales specialists that are needed, and we are searching them out and hiring all over the world. Those specialists are not diplomats but operate similarly to ordinary employees of an economic institution, or PAIH Trade Offices.

**The Agency is engaged with foreign investments in Poland, Polish investments abroad and also Polish investments in Poland which area is most important; where is the main emphasis?**

For many years, when it was still known as PAIZ (National Foreign Investment Agency, the name was in use until August 2017) the Agency's core operations entailed servicing foreign investors in Poland. This stemmed from the economic situation at the time – during that period, as a country undergoing economic reforms, we were in particular need of external technologies and capital, predominantly from the USA, Germany and other European Union states. It seems that today it is not so profoundly important anymore. We have our own capital in Poland to sustain economic development. Of course, this should by no means be understood that we are shying away from acquiring investments from abroad: far from it, we, as a country, are in the race for FDIs. We are very competitive: an EY report puts us in 5th place in Europe when it comes to investment attractiveness.

Today, PAIH is working with approx. 20 per cent of foreign investors in Poland. On the one hand this means that our work is effective and appreciated and on the other, which makes me particularly happy, that the remaining 80 per cent of foreign investors do not require any intermediaries or special incentives; they operate in Poland without obstructions just like anywhere else, according to the laws of a market economy. In 2017 we expect to see an approximate two billion Euro increase (about 40 per cent) in the investments handled by us. This is the best confirmation that the Polish market is seen as safe, competitive and predictable. Whereas today, for us, promoting exports is a new and yet very significant element of our efforts. We are expanding it by building a new framework to supervise the operations within this scope across given geographical directions. One of the tasks our offices abroad have been charged with is to support the presence of Polish businesses at all major industry fairs or events. They also act as a "professional matchmaker" for Polish companies and foreign clients. Our export efforts are best expressed through the Agency's increasing operating costs: these used to be PLN 10 million, but in 2017 they amount to 40 million. Additional funds are earmarked for financing the Agency's new operations, supporting foreign expansion of Polish businesses. And of course, we already have companies in Poland able to effectively compete with global powerhouses. However, not all of them are operating on a sufficiently broad scale. If needed, we are here to lend a helping hand with entering or expanding on foreign markets. We also encourage the establishment of export-oriented production and service centers in Poland. We will provide the same level of service as to a foreign investor to every such business. We will help in finding a site, facilitate liaisons with local authorities, outline investment incentives and facilitate contact with potential competition.

**You mentioned investment incentives; which are the most important and are they the same for Polish and foreign businesses?**

The package available to all investors includes an opportunity to take advantage of a cash subsidy for employment. We have developed a calculator for the needs of the Ministry of Economic Development which assesses the impact of a given investment on the Polish economy. Until recently, investment expenditures and jobs were most sought after, that is why we did our best to acquire FDIs for regions where structural unemployment was high. The new investment policy entails an impact analysis of a given investment on the Polish economy: we promote investments based on research and development, high-tech, which create well paid jobs, stimulate regional growth, etc. The state prefers and promotes the best investors. They stand to have a certain percentage of the costs of creating new jobs refunded. There are also opportunities afforded by local governments in the form of land tax exemptions or income tax exemptions within Special Economic Zones. We help with negotiations and help investors navigate the Polish legislative jungles. We aspire to be a one-stop shop for all those willing to invest in Poland. We want to provide a comprehensive bundle of services. Our doors are open to everyone: the giants - international corporations as well as rural governors, whom we try to convince to dig a 200 m irrigation ditch to improve the attractiveness of a plot in their municipality. Shortly we hope to finalize a major investment in an unprecedented manner - it is to be partly financed using loans granted by Polish banks. And that is something new, which says a lot about the condition of our banking sector, which is even experiencing the excess liquidity phenomenon. And that is an added value which we have not seen thus far.

**Recently the Prime Minister Mateusz Morawiecki spoke about the concept for expanding Special Economic Zones throughout Poland - how will that affect the incentive system for investors?**

We contributed to the development of the Deputy Prime Minister's concept, which aimed to make all of Poland equally attractive for FDI's, or investments in general. Today, SEZs cover a certain part of the country already, but we have less and less land, and there is some confusion. For example, a zone from the south has investment grounds on the coast, so it is unclear for investors. Generally speaking, the Deputy Prime Minister's concept is an attempt to regionalize the administration, which would make the whole situation more transparent for both foreign and domestic investors. A certain degree of SEZ management regionalization is desired while introducing a standardized incentive system for investors throughout Poland.

Investors who made a rational business decision in the past, based on the predictability of national policy in terms of SEZs have nothing to worry about in connection with the changes in the pipeline. We are not changing the rules while the ball is in play.

The planned reforms will definitely not scale back the benefits system available for investors; on the contrary, they will expand it further. One also has to remember that all the incentives which we can put on the table for investors are below the threshold of public aid, as dictated by European Union regulations. Hence, they are comparable to those offered by Central European countries. Thus, at the end of the day investors will assess the overall economic attractiveness of a country, such as long term GDP growth or international agency ratings which have recently improved their scores for Poland.

### **What risks do you foresee in a policy geared towards promoting investment and stimulating Poland's economic growth?**

The major risk for Poland which we see in the foreseeable future is the looming labor deficit resulting from the demographic situation. We still have reserves of production-age individuals in Central and East Poland, but we are already experiencing situations where corporate employers from Lower Silesia for example, are attracting workers with special relocation packages facilitating their rapid employment. Thus, over the coming years we have to solve the labor force availability issue across the entire country. In my opinion one of the possible steps is opening up possibilities for labor migration for people from former Soviet Union territories, and in particular those which were within the boundaries of the Second Polish Republic. Today, there are close to two million people living within the former Soviet Union who could apply for Polish citizenship on the basis of a blood right.

### **What are the Agency's primary tools used to help Polish investors abroad, to promote Polish products, Poland as a brand?**

Poland as a brand is facing an historic opportunity. For many years we have acted as an efficient subcontractor for goods by numerous international corporations and primarily for the German industry. These products are sold across the world at high margins with logos of German companies. Thus, there are no problems associated with their quality, workmanship or technology. As an agency we are trying to convince Polish manufacturers to clearly brand their goods. The furniture industry is one which took definite notice of our recommendations. Its representatives, even though a lot of furniture manufactured in Poland is still sold around the world under logos of global giants, are clearly willing to take up the "fight for independence". When it comes to helping investors: we have a constantly expanding network of Trade Offices abroad. Their primary task is to collect detailed information about the local markets. These offices will provide detailed information as to who is responsible for procuring hotel beds in the Turkish Riviera; who is decisive when it comes to purchases in Qatar; what trade fairs are taking place where, etc. The offices can also recommend local partners, help companies register in a given country, introduce local law firms for future cooperation, help organize business trips and also if needed – provide office premises for the use of visiting representatives of interested Polish companies. Before autumn we had 16 PAIH Trade Offices. This number will increase to more than 20 by the end of the year. And we have our eyes set on around 70. Today, one of the criteria for selecting new locations is the demographic potential of the given region and as such we foresee an intensification of TO activities on the African and South-East Asian markets.

### **What are the financial dimensions of the Agency's efforts?**

In 2016 our expenditure amounted to PLN 12.5 million. This year the figure is likely to reach 40 million and we forecast a 70 million budget for next year. According to our estimates, in order for the Agency to be able to perform its statutory tasks, the minimum budget from 2019 onwards should oscillate between 100 and 110 million. Foreign Trade Offices of the Polish Trade Agency (PAIH) is a global, constantly developed network of the Agency's divisions responsible for providing support for Polish exporters and investors who look for new business opportunities,

overseas. Offices have also been designed to attract foreign investors and assist them in their way to Poland. PAIH Foreign Trade Offices are focused on distant markets of rapid growth with the biggest business potential for Polish companies. Ultimately, there will be 70 locations of PAIH Foreign Trade Offices in the world. Foreign Trade Offices will help you to:

- reduce business risk in foreign expansion by managing business information
- select reliable business partners, arrange B2B talks and trade shows as well as offer investment site advisory
- get the access to full range of business support tools offered by the Polish Development Found.

Source: The Warsaw Voice