

Good Projects & Proper Timing



Mr. Paweł Borys, president of Polish Development Fund (PFR) talks to Juliusz Kłosowski (excerpts):

The Polish Development Fund was established a year ago and since the very beginning it has been regarded as a key institution of the new economic strategy introduced by the government. How would you briefly describe the mission of your organization?

Our mission is to promote sustainable development in the Polish economy by providing different financial advisory instruments, especially in areas where we see that there are some potential gaps in the market. So, more or less, this is about promoting and supporting the economic development of the country. And, of course, we have different stakeholders or areas there. We are talking about the whole enterprise sector, starting with entrepreneurs from start-ups, to more developed, larger companies, and from high-risk financing to different, sometimes much more sophisticated financial instruments, for example, export financing for more advanced firms. However, I would say that small and medium-sized enterprises and start-ups are our priorities. We pay a lot of attention also to municipalities since Poland still needs to improve its infrastructure, from local public services, roads and railways, to central infrastructure investments. The other important area of our activities is, of course, foreign investors. We are providing more than 200 types of instruments for different segments of the economy. With these instruments we are trying to address current trends in the global economy. Those trends give some opportunities but also represent some risks. Digitalization, robotization, lifestyles - we offer dedicated special investment funds for all of them. We have also created flagship, strategic projects from our government's Strategy for Responsible Development in fields like bio-tech and electro-mobility, which today are becoming more and more important in many countries. We have to work to prepare the Polish economy for all of these technological challenges and changes, in order to take advantage of the opportunities and to avoid risks.

On the board of the Polish Development Fund there are 8 different economic institutions represented. Can you explain the structure of your fund?

The Polish Development Fund (PFR) is, in fact, an investment arm of the government. As a company, we were given the task of managing the investment funds. Our activities vary from venture capital to infrastructure. We are responsible for the investment pillar of the Polish economy, but we also play a role as a strategic centerfold group. The PFR's group puts together 8 state-owned main investment institutions. The group is based on five pillars. One of the pillars is investments represented by investment funds, the second is banking, which is the field of the BGK bank, the third is export insurance, represented by KUKE, and the other two pillars are export promotions and FDI, which is the PAIH domain and development and enterprise sector

that is represented by PARP. These entities represent different legal forms but we form one board together, one contact center, one portal, and we are working under one strategy. We are bound together by a legal agreement of the PFR group.

Each of the member institutions in our fund provides different instruments - banking loans, equity instruments, loan insurances, promotion, access to EU funds, etc. Those instruments require different legal forms, so we need to have different entities. The key is that they work in a complementary way, executing together all of our projects. Besides, in almost all countries in the world, the institutions that are similar to our fund are also groups. Even the European Commission has the EBI and EFI, which is the EC's investment arm.

Let's talk about the most important thing in the context of your mission statement- money.

How would you describe the financial power of the Fund?

The majority of our capital is provided by our shareholders, mainly the BGK bank. The Polish Development Fund is also managing two groups of investment funds, namely PFR TFI and PFR Ventures. Now, our basic capital exceeds slightly 4 billion euro. We can also use credit lines to increase our financial powers.

We work via institutional funds, and now we have about 10 of them. They provide equity instruments. Part of them are direct funds dedicated to specific fields of our activity, for example, start-ups or municipalities. They are responsible for direct investments. The rest are funds of funds, dedicated to venture capital markets. We invest here with money from BGK, but we also offer some money from EU funds.

The idea is to address more than 1,500 start-ups and regular companies by providing funding for them over the next 4-5 years. I hope many of them will become successful as dragons or unicorns of the Polish economy.

The government set a goal for Poland to become, in a period of about a decade, the regional innovative hub. What should be done to achieve this? Is it possible at all?

I am personally sure that it is possible, and from our perspective, this is the goal. This is one of the main reasons why the Polish Development Fund - the second largest platform for venture capital funds in Europe - was created. However, it requires very intensive and effective cooperation between businesses, universities and the state to become a successful project. I think that in each of these segments we still have plenty of work to do. The role of the state is of course to provide good regulations, and I believe that the first and second legal acts on innovation are very good steps forward. The second, and not less important condition, is to provide sufficient public funding in order to make the capital market more advanced. As you may see from what I said earlier, we are prepared to do so. We execute the program of venture capital funds under the so-called Morawiecki Plan. In terms of innovation, there is a new legislation and financing platform. We have very successful projects by PARP. For example, together with some private companies and universities they have created a project called Accelerators, and they are about to produce more than 150 innovative projects to be funded by venture capital funds.

When we launched our first VC fund we received more than 70 offers from management teams. The value of these offers was 5 times higher than the fund itself. It shows that interest in our programs is really high. Of course, in the number of patents and the number of unicorns or companies which are successful globally we still have a rather weak position in European statistics. But we are already making some progress in key innovative rankings.

So, for sure the funding would be there, and the regulations are improving. We also would need some transfer of know-how from managers, scientists and investors from abroad. This is why we are making a lot of efforts to promote Polish venture capital internationally. Over the last 12 months we participated in many different events in many countries.

We are one of the largest economies in Europe, the largest in the CEE region. We have enjoyed 27 years of uninterrupted economic growth. We have very strong growth momentum now, with a prognosis of about 4.7 percent for the last quarter of the year. We have a very educated population, strong academic centers with a record number of R&D departments, and a talented young generation with good command of foreign languages. So we have everything to make it happen. Now it is time to work on it.

What kind of know-how could you like to bring to Poland in particular?

This year we are focusing on the investors and managers of the funds to properly create the environment of the venture capital market. The plan for the next year would be to launch as many projects as possible. In terms of the industries in Poland, we are strong in ICT, and we have many outstanding mathematicians and programists. We are one of the leading producers - globally - of electric buses, just to name the Solaris company. But there are more and more promising projects in the fields of lifestyle, healthcare, pharmaceuticals, business services or even gaming, to name such companies as CD Project (the creators of The Witcher game series). The same can sometimes be said about more traditional branches of industry - we still have a very good position in the aviation sector, mining industry technologies and machinery. These are also potential foreign know-how consumers.

After the first year of the Polish Development Fund are there any success stories to talk about?

For example, we have started an incubator called Dobry Pomysł (Good Idea). We have attracted more than 200 interesting innovative ideas. From these ideas, we would like to select about 30, which we would finance at an early stage of development.

One project that I am especially proud of is our cooperation with WB Electronics, a private company from our defense industry sector. We invested in the company, increasing its capital by 24 percent, helping it to develop new products and to launch the international expansion of the firm.

The second example of what we' ve done already is the buy-out, together with the Polish insurance giant PZU, of the Pekao SA, the second largest bank in Poland, from the Italian Unicredit group.

Now we are supporting the Central Communication Hub project, planning the future Central Airport with all of its infrastructure and assumptions as well as performing feasibility studies. The whole project is worth about 40 billion PLN and the airport alone is 20 billion PLN. We will certainly take part in the financing and we will be helping arrange the funds from Polish or international financial institutions.

As the head of the PFR, what would you like to say to international investors?

I believe that Poland is currently in a kind of sweet spot in terms of having a balance between stability and growth. We have good economic indicators, low fiscal and budget deficits, and low inflation. But at the same time we are growing pretty fast and we still have a huge catch-up potential in productivity and innovation. Our key strength is an educated population, especially

when we talk about technical and mathematical skills. We also offer a big and strong internal market and a good geographical location.

We have many unique competences. However, we need some know-how transfer from abroad to learn more about how to do international expansion or marketing. So we are very open for investors to work together.

Investments are about the ability to select good projects. But they are also about proper timing. I believe it is a very good time to invest in Poland. Both domestically and from abroad.

Source: The Warsaw Voice