

## Action plan for responsible development of Poland

Press release

**Support for development of enterprises, their productivity and foreign expansion, and even development of the entire country experienced by all Poles. More investment and higher innovation expenditure. Significantly better cooperation between science and business. High-quality GDP growth. Changes facilitating the functioning of enterprises and promotion of savings. These are the main assumptions of the plan adopted by the government on the 16 February 2016. Out of several institutions the tasks of which partially overlapped, a coherent Polish Development Fund will be created.**

### What is the plan

*– The plan is a set of tools to make the development of Poland more dynamic. These are actions that will result in a positive and high-quality expansion of the Polish economy. We propose macro solutions the effects of which will be felt on a micro scale – in our jobs, wallets, when handling official matters. In the coming months and years we will implement our projects in practice, said Deputy Prime Minister Mateusz Morawiecki.*

The Deputy Prime Minister emphasized that the Polish economy needed responsible development – *Responsible development, which is the motto of our plan, is development based on strong economic foundations. It also involves multidimensional social solidarity – between present and future generations, between individual regions, urban and rural areas or employers and employees – the source of which is the care for the common good, he explained.*

The plan is also a response to challenges faced by Poland today. It includes a diagnosis of the situation, sets out directions for government activities for the next several years and puts forward specific solutions for Poland to overcome five development traps.

### 5 development traps

#### Middle income trap

The sources of growth thus far (e.g. low labour costs) have run out. If we do not want to get stuck in the group of countries with middle income, we must find new drivers of growth. This goal can be achieved by building global specialisations of the Polish economy. The economic growth must be accompanied by a growth of salaries. Half of the working Polish population earns less than net PLN 2500.

#### Lack of balance trap

Healthy economic growth requires an appropriate balance between foreign and domestic capital involved in the economy. Our development model thus far has largely built on foreign capital. Its presence in our economy is important and desirable, since it allowed to increase GDP and contributes to technology transfer. Poland remains open to foreign investors, but domestic capital must be strengthened, since it is the basis for stability of developed economies.

#### Average product trap

Too many Polish companies build their competitiveness on delivering simple products at the lowest price, and public institutions apply the lowest price criterion in their contract award procedures. We have very few economic champions, not many small and medium-sized enterprises have the opportunity to place innovations on the market. The state not only must support the companies in increasing their competitiveness, but also must itself become a technologically demanding customer through its public procurement system.

#### Demographic trap

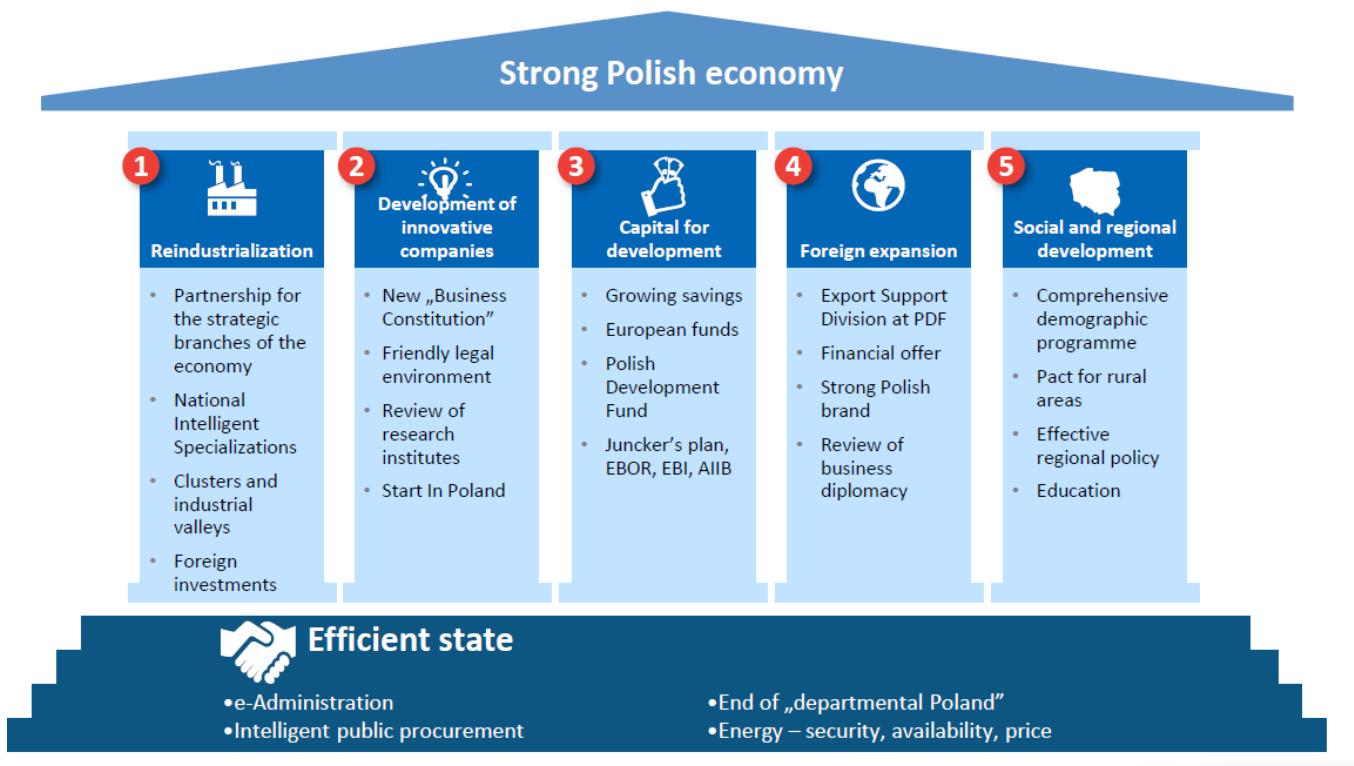
We are ageing as a society, and this year is critical. Forecasts show that from now on the number of working population will gradually decline. If we do not stop this process, in 2050 it may decrease by even 5 million people. The problem will be exacerbated by labour migration of young people and very low fertility rate.

#### Trap of weak institutions

This trap exacerbates all others, since it defines the environment we live in. Until now there has been no comprehensive and long-term vision of Poland's development and coordination of activities of the public administration ("ministerial Poland"). The increase in the operating costs of administration was not accompanied by an increase in its effectiveness.

## Pillars of the new development model

The Polish economy needs a strong development incentive. – *The state cannot be only a guardian and only a controller. It should also be a guide and a partner. This is the essence of our plan. The new economic development model will be based on five strong pillars, said Deputy Prime Minister Morawiecki.*



### Reindustrialisation

Industry is a natural environment for innovation, the core of expenditure for research and development, also for enterprises from the sector of services. It is here that necessary cooperation chains and high-quality jobs are created. The Polish industry has a huge potential and thanks to specialisation may compete on the world markets. The challenge for the next years is to support the existing and develop new competitive advantages and specialisations. The establishment of the Ministry of Maritime Economy and Inland Waterways naturally sets out the direction of investment activities in one of the key industrial areas.

### Development of innovative companies

Polish companies must have good conditions to develop and create innovation (e.g. friendly legal environment, financial incentives). If their environment does not hamper their development, we may see the global champions emerging. Possible actions in this area include facilitating the start for entrepreneurs, promoting research and implementation, deregulation of economic activity, preparing the Business Constitution (a new coherent legal act of general nature) or introduction of the principle of succession of one-person companies.

### Capital for development

The key task in this area is to increase investments. They should ultimately account for at least 25% of the GDP. From 2008, we have seen a downward trend, which resulted in the investment level amounting to 18% at present. Necessary actions include extension of financial instruments offered by state development institutions and effective investing of the EU funds.

It is important to encourage Poles to build capital for the future. The savings should be used to increase the quality of life. Therefore, it is extremely important to increase the share of savings in the GDP, e.g. by means of promoting employee stock ownership plan. This will allow Poles to obtain income not only from labour, but also from capital in the future.

### Foreign expansion

Support for foreign expansion of Polish companies is one of the ways to increase the domestic capital. Export is not enough – our enterprises should conquer foreign markets also by means of foreign direct investment, mergers and

acquisitions. European markets are still the key markets for Poland, but we should increase activity on prospective markets, i.e. Asian, African and North-American. The state will support our enterprises by means of, inter alia, dedicated financial offer and promotion of Polish products.

### **Social and regional development**

Small towns and rural areas must be involved in development processes. Each part of Poland has its assets. Smart regional policy should develop them. The Ministry of Economic Development will actively participate in drafting the "Pact for rural areas" which is being developed by the Minister of Agriculture and Rural Development. Sustainable social development requires also a qualitative change in vocational education so that school graduates were specialists with skills sought on the labour market.

## **Our projects**

Under each of the five pillars, the government proposes specific solutions, including:

### **Polish Development Fund**

The Polish Development Fund (PDF) will be the key instrument for the strategy implementation. It will be established based on the existing development institutions (part of the functions of BGK, Polish Agency for Enterprise Development, Polish Investments for Development, Polish Information and Foreign Investment Agency, Industrial Development Agency and Export Credit Insurance Corporation). The Fund will integrate and organise the tools offered by those institutions and will propose new ones. As a result, their effectiveness will increase (until now the offer of those institutions overlapped, the scale of their operations was also small). The support will cover numerous areas – small and medium-sized enterprises, investments, infrastructure, export, promotion, innovation. The Fund will obtain capital for investment on preferential terms offered by international financial institutions.

### **Support for export and reform of economic diplomacy**

Polish entrepreneurs will obtain strong support. The structure of the Polish Development Fund will include a professional division for export support. It will support foreign expansion of companies and promote Polish export and Polish products. It will closely cooperate with territorial and economic self-governments. Furthermore, the Minister of Foreign Affairs and the Minister of Economic Development will carry out a reform of the Polish economic diplomacy. Foreign economic services will be awarded for the achieved results.

### **Development programmes for individual sectors**

Polish enterprises should be strong in all sectors, but we must have our specialties, in particular those based on cutting edge technologies. Their development will be supported by the use of National Smart Specialisations and special development programmes implemented by the Ministry of Economic Development and the Polish Development Fund for various sectors, such as aviation, armaments, shipbuilding, chemical, food, transport and IT sectors.

### **Package for entrepreneurs**

The Minister of Economic Development will prepare new solutions in the areas of special importance for small and medium-sized enterprises, including:

- a new Business Constitution, i.e. an act which will comprehensively regulate the rules of running a business in Poland (it will replace the Act on freedom of economic activity);
- rules of succession of one-person companies;
- solutions facilitating starting and running a business;
- tools facilitating efficient debt recovery by companies;
- liquidation of unnecessary concessions and licenses.

### **Package for innovation**

The objective in this area is to increase the share of R&D expenditure in the GDP from 0.8% at present to 2% in 2020. The instruments which will help achieve this goal include:

- a new Act on innovation (amendment to the current Act in June 2016, a new act in the first half of 2017);
- StartInPoland programme (commercialisation of innovative solutions created by start-ups);
- implementation of programmes with the fast decision-making procedure, supporting the areas of the greatest importance for innovation of the economy (so-called "first speed" programmes);
- reform of scientific and research institutes to make their infrastructure and resources work for the economy.

## Smart public procurement

The public procurement market in Poland is worth even PLN 160 billion. It represents 8% of Polish GDP. A new, smart procurement policy means more effective use of public funds (long-term savings for the state finance) and benefits for companies. Its main assumptions include:

- abandoning the criterion of the lowest price;
- taking into account the costs of maintenance at the stage of procurement;
- concessions for small and medium-sized enterprises (e.g. tender requirements should not exclude them from the group of potential bidders);
- points for innovation;
- social clauses and clauses promoting stable jobs.

## Reform of vocational education

The Polish economy needs more persons with vocational education. The Minister of Economic Development and the Minister of National Education will develop solutions allowing to adjust vocational education to the labour market needs (e.g. training in real work conditions, participation of industry in preparing curricula, development of Practical Education Centres).

## Better quality of the EU funds

The government will adopt the “Action plan for increasing the effectiveness and accelerating the implementation of operational programmes under the Partnership Agreement 2014-2020”. The plan is a package of solutions ensuring that the EU funds will not be simply spent, but invested. The procedural burden will be reduced, more emphasis will be put on achieving the effects (three times more repayable instruments, integrated development programmes for sectors and areas), the funds will be allocated for new factors of competitiveness, i.e. innovation, enterprises, low-carbon economy.

## What next?

The plan defines directions. The government will gradually implement the planned projects. The Minister of Economic Development, in cooperation with other ministers, will prepare an update to the Medium-Term National Development Strategy.

The objectives of the government for 2020 include:

- increase in investment to over 25% of the GDP;
- increase in the share of R&D expenditure to 2% of the GDP;
- increase in the number of medium-sized and large enterprises to over 22 000;
- more Polish foreign direct investment (increase by 70%);
- growth of industrial production exceeding the GDP growth;
- GDP per capita of Poland at the level of 79% of the EU average.

– *The famous coach Alex Ferguson once said that he had never played for a draw in his life. We also have been playing for a win from the very beginning. The objectives are ambitious, but realistic. Our white and red team has all necessary assets, i.e. hardworking and resourceful nation, Polish technical thought, extremely talented youth, necessary know-how and educated labour force, summed up the Deputy Prime Minister Mateusz Morawiecki.*