

Special Economic Zones in Poland



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The Polish economy is developing dynamically. It is an example of an economy in transition, in which structural changes have been effectively implemented since 1989.

In order to free the market and promote competition Poland introduced legal regulations, a privatisation program, currency exchange market regulations, income tax breaks for enterprises and opened financial markets. Poland has also opened up to foreign greenfield investment.

The Polish governments' efforts are aimed at increasing investment in the Polish economy, as well as promoting an increase in employment through new investments, both domestic and foreign. This has resulted in legal solutions aimed at promoting the Polish economy and creating conditions for investment development. One solution is the creation of Special Economic Zones (SEZs).

The basis for creating SEZs in Poland is the Act of 20 October 1994 on Special Economic Zones (hereinafter: the "Act on SEZs") which indicates the rules and manner of establishing and managing of economic zones, as well as conducting business activity on the territory of the special economic zone. The detailed rules of the functioning of the zones are indicated in the legal acts regarding the individual economic zones. Pursuant to Article 4 of the Act on SEZs a zone shall be established by means of a regulation of the Council of Ministers, issued upon request of the Minister of Economy.

From the point of view of the law, special economic zones constitute an administratively separate territory of the state, in which a special system of legal norms, the objective of which is to enable or facilitate the completion of the state's economic tasks and objectives, is in force.¹ The interested entities may conduct business activity on preferential conditions in comparison to conducting business activity outside the SEZ.

Fourteen Special Economic Zones have been created in Poland: EURO-PARK Mielec, Suwałki, Katowice, Legnica, Łódź, Wałbrzych, Kamienna Góra, Kostrzyn-Słubice, Słupsk, Starachowice, Tarnobrzeg, Pomeranian, Warmia-Mazury and the Krakow Technology Park.

As it follows from Article 3 of the Act on SEZs, a zone may be established in order to accelerate economic development of a part of the country's territory, particularly by means of:

- developing certain areas of economic activity,
- developing new technical and process solutions and their implementation in the national economy,
- developing exports,
- increasing competitiveness of goods produced and services rendered,
- developing the existing industrial assets and economic infrastructure,
- creating new places of employment,
- developing unused natural resources subject to environmental regulations.

Entities carrying out investments in special economic zones may use public aid in the form of income tax exemptions on account of the costs of new investments as well as the creation of new job opportunities. The intensity of the aid is varied and in the case of

investments in the Lubelskie, Podkarpackie, Warmińsko-Mazurskie, Podlaskie, Opolskie, Świętokrzyskie, Małopolskie, Lubuskie, Łódzkie and Kujawsko-Pomorskie Provinces amounts to 50% and in the remaining provinces - 40%. Warsaw is an exception, in the case of which the extent of aid is at the level of 30%².

Entities intending to commence business activity in the special economic zone and to take advantage of public aid should obtain a permit to conduct business activity in the special economic zone, which is issued by the entities administrating the zones, in the manner of conducting a tender or negotiations. The administrators, pursuant to Article 6 of the Act on SEZs may be only a joint stock or limited liability company, in which the State Treasury or province government unit holds a majority of the votes to be cast during a General Meeting of Shareholders or a Shareholders' Meeting.

The rules regarding the conduct of tenders and the detailed standards on the manner of their conduct are regulated – separately for each economic zone in the relevant regulation of the *Minister of Economy and Labour from 2004 on tenders and negotiations as well as criteria for assessing plans for business ventures which are to be taken by entrepreneurs on the territory of the zone.*

“... the significant role which special economic zones play in the Polish economy must be emphasized”

As an example, it may be noted that the administrator of the Krakow Technology Park, created by the Regulation

of the Council of Ministers of 14 October 1997 in the matter of establishing a special economic zone in Krakow (Journal of Laws no. 135, item 912 as amended), is Krakowski Park Technologiczny Sp. z o.o. (Krakow Technology Park Ltd) with its registered seat in Krakow. By means of the Regulation of the Minister of Economy on 2 July 2009³, the Krakow Technology Park Ltd, as the administrator, was entrusted with granting permits for conducting business activity on the area of the zone on behalf of the Minister of Economy (hereinafter: "Regulation").

In order to participate in the tender or negotiations and to obtain a permit for conducting business activity on the area of the Krakow Economic Zone, the criteria set forth by the zone administrator should be considered, specifically the subject of the assessment is the relevant level of technology innovation. The invested amount cannot be less than €100,000, the interested entity should declare their participation in the creation and modernisation of the special economic zone infrastructure and the possibilities of cooperation with universities and colleges in research and educational projects. The subject of the assessment in the procedure for granting permits is also the previous activity of the interested entity as well as the planned development of the investment in the area of the economic zone⁴. The information regarding the invitation to the tender or the negotiations - pursuant to Article 4.1 of the Regulation – the administrator places (such information) through an announcement in a daily national newspaper and on the web page of the zone in Polish and one of the languages commonly used in international trade. The invitation may also be announced in the foreign press.

Has the creation of special economic zones in Poland brought the expected effects and has the objective in the form of accelerating economic development of areas constituting special economic zones been achieved?

A positive response to the above question found its expression in the amendment to the Act on SEZs, which was adopted on 30 May

2008 (Journal of Laws No. 118, item 746). The amended act at issue increased, among others, the area of the zones in Poland from 12 thousand to 20 thousand hectares. Next, on 27 January 2009, the Council of Ministers established a plan for the completion and further development of special economic zones by adopting the document entitled *The Concept of the Development of Special Economic Zones*⁵, the main assumption of which is the manner of developing additional areas designated for SEZs established through the amendment of 30 May 2008.

As it follows from the analysis of *The Concept of the Development of Special Economic Zones* in the assumptions lying at the basis of the further development plan of the zones a catalogue on investments desired from the point of view of the Polish economy has been distinguished. It was recognized that the investments which should achieve priority support in the framework of the economic zones regard the following sectors:

- automotive,
- aviation,
- electronics,
- machinery,
- biotechnology,
- small tonnage chemistry,
- R&D activities,
- innovative services,
- industry manufacturing equipment aimed at the production of fuels and energy from renewable sources.

From the data of the Ministry of Economy indicated in the Report on Special Economic Zones status as at 31 December 2008⁶, approved by

Effects of the functioning of special economic zones as at the end of Q3 2009⁹

| Zone | No. of permits | Value of the completed investments in million PLN | New jobs | Maintained jobs |
|------------------|----------------|---|----------------|-----------------|
| Kamienna Góra | 40 | 1,406.7 | 3,763 | 265 |
| Katowice | 183 | 15,503.7 | 31,454 | 8,991 |
| Kostrzyn-Słubice | 104 | 3,186.1 | 10,302 | 5,287 |
| Kraków | 49 | 1,410.2 | 5,953 | 2,367 |
| Legnica | 55 | 4,208.4 | 7,948 | 265 |
| Łódź | 115 | 6,977.5 | 14,109 | 6,369 |
| Mielec | 118 | 4,090.9 | 11,880 | 3,432 |
| Pomeranian | 65 | 5,051.8 | 14,012 | 3,146 |
| Słupsk | 46 | 742.0 | 1,665 | 744 |
| Starachowice | 73 | 1,150.3 | 3,153 | 3,352 |
| Suwałki | 51 | 1,355.4 | 4,741 | 133 |
| Tarnobrzeg | 110 | 5,335.0 | 16,448 | 6,382 |
| Wałbrzych | 139 | 10,692.3 | 18,503 | 8,954 |
| Warmia-Mazury | 57 | 2,609.5 | 4,830 | 4,819 |
| Total sum | 1205 | 63,719.9 | 148,762 | 54,506 |

the Council of Ministers, it follows that the intended development of the economic zones should be assessed positively and conducting business activity in economic zones enjoys the interest of foreign investors. As it follows from the data of the Ministry of Economy⁷ c.70% of the capital invested in the zones comes from five countries: Germany, Poland, the United States, Japan and Italy. Companies with German capital were indicated as holding the leading position in the capital investment structure. The leading investors in the special economic zones are:

- General Motors Manufacturing Poland Sp. z o.o. (Katowice SEZ);
- Toyota Motor Manufacturing Poland Sp. z o.o. (Wałbrzych SEZ);
- MICHELIN POLSKA S.A. Olsztyn (Warmia and Mazury SEZ);
- FIAT -GM POWERTRAIN POLSKA Sp. z o.o. (Katowice SEZ);
- Volkswagen Motor Polska Sp. z o.o. (Legnica SEZ).

The analysis of the effects of the functioning of the special economic zones as at the end of Q3 2009, published on the web page of the Ministry of Economy⁸ leads to the conclusion that the value of the completed investments in the special economic zones has achieved a joint level of PLN 63,719.9 million, has created 148,762 new jobs and maintained 54,506 jobs.

A question arises in the context of the above data as to how the situation presents itself in the Krakow Technology Park.

On 30 March 2009 the Krakow Technology Park celebrated the 10th anniversary of its operation. This is a good time to make a conclusion. The Krakow Special Economic Zone, covering an area of 528.84 hectares, is located in the Małopolska and the Podkarpackie Provinces. This zone is the only special economic zone in Poland which also plays the role of a technology park¹⁰. Already in 2010, the Krakow Technology Park issued a permit for conducting business activity to six companies, and up to that time, a total of 86 permits have been issued for conducting activity in the economic zone, 6,290 jobs have been created and the total incurred expenditures amount to PLN 1,450 million¹¹. The development of the economic zone should be assessed positively. The Krakow Technology Park carries out the accepted assumptions, is attractive for investors and is one of the most dynamically developing areas of business.

In summary, the significant role which special economic zones play in the Polish economy must be emphasized. After several years of operation of the special economic zones, a large investor interest in conducting activity in the zone has been seen, which is attested to, first and foremost, by the number of issued permits for conducting business activity as well as the value of the completed investments. One may only hope that the long-term undertaking, which was the introduction of special economic zones in Poland, limited however by the date of their operation until the end of 2020, will encourage new investors to locate their activity in the special economic zones. ■

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1. Michał A. Waligórski "The Administrative and Legal Reglamentation of Business Activity in the so-called Special Economic Zones" *Legal Studies* 1997/132 p. 15

2. Ministry of Economy, www.beta.mg.pl

3. The Regulation of the Ministry of Economy of 2 July 2009 on entrusting the granting permits for conducting business activity on the area of the Krakow Technology Park and carrying out control on the completion of the terms of the permit to the Krakow Technology Park (*Journal of Laws* of 15 July 2009).

4. Information provided in the web page of the Krakow Technology Park, www.sse.krakow.pl

5. The web page of the Minister of Economy, www.beta.mg.pl

6. Published on the Ministry of Economy web page, www.beta.ms.gov.pl.

7. Report on Special Economic Zones – status as at 31 December 2008. Published on the web page of the Ministry of Economy, www.beta.ms.gov.pl

8. As above.

9. The analysis of the effects of the functioning of the special economic zones as at the end of Q3 2009, published on the web page of the Ministry of Economy, www.beta.ms.gov.pl

10. Source – data published on the www.paiz.gov.pl/strefa_inwestora/sse/krakow web page as well as the web page of the Krakow Technology Park www.sse.krakow.pl.

11. Data published on the web page of the Polish Information and Foreign Investment Agency SA www.paiz.gov.pl, current status as at May 2010