Invest in Poland

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E- Newsletter

Trade & Investment Promotion Section
Embassy of the Republic of Poland in London

No. 7
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Bolesław Gryzel

It is my pleasure to present you the **following edition of our e – newsletter!**

For this copy we have prepared a very interesting set of articles – we have managed to have an interview Mr. Józef Sebesta Marshall of the Opolskie region.

Our colleagues from the Ministry of Treasury prepared a summary of the Polish Privatization in the first quarter of 2010.

We have also added a very interesting article about the real estate market in Poland written by **Ben Habib, Chief Executive of the First Property Group Plc**.

Besides that we present you the usual coverage of our events, macroeconomic data and many more!

I wish you a pleasant time reading this month's edition of our e - newsletter.

Bolesław Gryzel
First Councellor
Head of Trade & Investment Promotion Section
Embassy of the Republic of Poland in London

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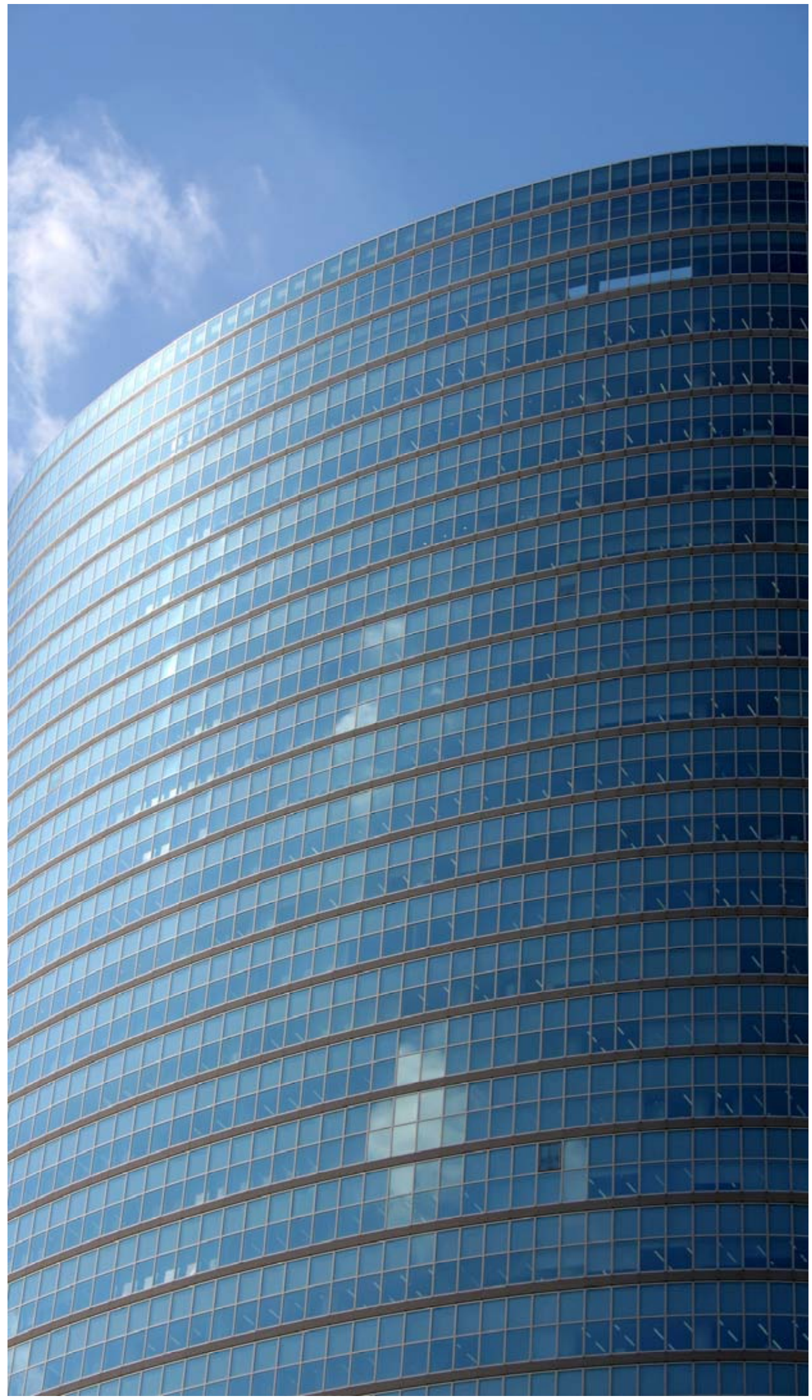

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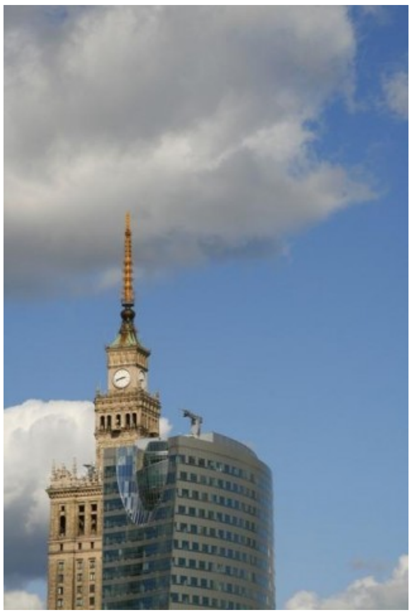
Poland on 6 position in the FDI Confidence Index

04-02-2010



Poland went up from 22 to 6 position in the ranking indicating the degree of confidence of foreign investors.

Foreign Direct Investment (FDI) Confidence Index is a survey conducted by AT Kearney from 1998.

FDI Index assesses the current situation and future forecasts concerning international financial flows. The study involves managerial staff of companies that receive more than 2 trillion of annual income. In this year's ranking it was China that resulted the most attractive location for foreign investment.

The country has been maintaining the leading position incessantly since 2002. China was followed by the United States, which have risen up one position thereby making India go down to the third place. The top five also included: Brazil (up by 2 positions when compared with the study from 2007) and Germany (5 positions higher than in 2007.) The 6 position was taken by Poland which went up by 16 positions.

The global economic crisis had a clear impact on global FDI flows. Results of the AT Kearney's survey indicate that this situation will continue. Nearly half of investors surveyed plan to suspend their projects for at least a year hoping for the economic situation to improve no earlier than in 2011. Among the major reasons which influence the suspension of investments the surveyed indicate uncertain market and difficulties in financing projects. All this mean that FDI inflows in the world next year will remain at low level.

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In the previous ranking, conducted in 2007, Poland and the Czech Republic recorded a record-breaking falls (Poland by 17 positions, the Czech Republic by 13). (AT Kearney)

World Bank: Poland has strong fundamentals

05-02-2010

Against the backdrop of a slow recovery of the world economy, Poland emerges as one of the few European and Asian countries that got through the recession without going into negative growth. That is an enormous achievement, according to a World Bank report unveiled in Warsaw, as Polish Market's

Jolanta Wolska reports.

The worst of the financial crisis is over, but the global economic recovery under way is fragile and will slow in the second half of 2010 as the impact of fiscal stimulus wanes, according to the latest Global Economic Prospects 2010 report from The World Bank. Financial markets remain troubled and private sector demand lags amid high unemployment. The report predicts that the fallout from the crisis will change the landscape for finance and growth over the next 10 years. It warns that, despite the return to positive growth, it will take several years before economies recoup the losses already endured.

The forecast for recovery is premised on a revival in global oil demand, stabilizing oil prices and a rebound in key export markets. Despite a gradual withdrawal of fiscal stimulus measures, moderate advances in consumer and capital spending are expected to underpin firmer growth.

According to the World Bank Poland's GDP is expected to grow 2.2% this year and 3.4% in 2011. "Poland has relatively strong fundamentals and managed to overcome the global crisis. Poland is one of the few countries in Europe and Central Asia region that managed to get through the recession without going into negative growth, that is an enormous achievement," said Andrew Burns, lead author of the report.

The report also noted that Poland's good performance reflects comparatively resilient service and agricultural sectors, compared with industrial output, which fell by 9% in the first half of 2009 over the first half of 2008. Exports were also relatively resilient, and as a result, net exports contributed positively to growth.

"It doesn't mean however that Poland will not be affected by the working of global conditions, export demand will be a lot weaker, the banking system which has been one factor in Poland's success is not going to be capable of supporting growth to the extent it was in the past. Those are some of the reasons why we expect growth in the next couple of years to be less quick than it has perhaps been in the last 5 years or so," said Andrew Burns.

Given the region's overleveraged private sector, weakness in the banking sector and household indebtedness in developing Europe, the recovery in domestic demand is expected to be muted in that region. Foreign direct investment and credit inflows are expected to remain significantly lower than the levels observed before the crisis, the World Bank said in the report.

Andrew Burns said that one of the big challenges facing developing and high income countries is how to withdraw the fiscal and monetary stimuli that have been put into the global economy without killing the recovery.

The report finds that very relaxed international financial conditions from 2003 through 2007 contributed to the boom in developing country finance and growth. Much lower borrowing costs caused both international capital flows and domestic bank lending to expand, which contributed to a 30 % increase in investment rates in developing countries. The resulting rapid expansion of the capital stock explained more than half of the 1.5 % increase in the rate of growth of potential output among developing countries. While very strong developing country growth during the boom period may reflect underlying growth potential, the global financial conditions that fueled it were clearly unsustainable.

While resurgent demand in parts of Europe and Asia, combined with stable and/or modestly rising commodity prices should support a turnaround in the region's exports, the projected weak recovery for developed Europe will result in relatively muted overall export growth. Similarly, foreign direct investment, which correlates strongly with trade activity and credit inflows, is expected to remain significantly lower than the levels observed before the crisis.

The World Bank predicts that any recovery is expected to be long, slow and marked by a rise in poverty. The region's dependence on selling goods to its trading partners in Western Europe may restrain the expansion because the projected weak recovery for developed Europe will hold back export growth.

Source: www.polishmarket.com.pl

18 largest turbines in Poland started generating electricity

12-02-2010

Suwałki Wind Farm, an RWE investment, has gone on-stream. Wind turbines will provide electricity to at least 40 thousand households.

RWE has completed the final stage of Suwałki Wind Farm investment. After the installation of towers, nacelles, blades, rotors and generators, the time has come to put the turbines on-stream. Commissioning of the wind turbines will increase Poland's wind energy generation by around 10% in comparison to 2008.

The Suwałki investment is one of the first in the pipeline of wind energy projects implemented by RWE in Poland. By 2015 RWE plans to build 300 megawatts of power from this source. The next stage of RWE's investments in wind power will be the construction of a wind farm in Tychowo. Its completion is planned for 2010. RWE is planning to install fifteen 2.3 megawatt wind turbines at this location.

Source: www.polishmarket.com.pl

The PPP market in Poland in 2009

16-02-2010

According to a report prepared by Investment Support which provides a summary of the first year of the Public-Private Partnership Act and the Act on Concessions for Building Works and Services being in force, 41 advertisements on concessions and public-private partnership were published in 2009. The Report is under the patronage of the Polish Information and Foreign Investment Agency.

The purpose of the Report is to provide an overview of the way in which public entities made use of the new formulas to carry out public-private investment projects under the provisions of the Public-Private Partnership Act and the Act on Concessions. The report provides market statistics, an analysis of conditions of executing planned projects, a description of adopted procedures to select a private partner, as well as an analysis of business arrangements necessary to complete projects. The report was prepared on the basis of advertisements for concessions and procurement orders which appeared in 2009, and it contains current data as on 15 January 2010.

Among the 41 advertisements concerning public-private projects which appeared in 2009, 32 concerned concessions (within the framework of the Act on Concessions for Building Works and Services), 1 a concession under the former rules (based on the Public Procurement Act), and 8 public-private partnership projects. Some undertakings were advertised several times, therefore the actual number of concessions and PPP projects is lower than the number of advertisements, and it is 34. An analysis of the advertisements shows that the most frequent users of the new Acts were Municipal Councils (22 out of 41 advertisements). The most popular sector was sports and recreation (15 advertisements), followed by municipal infrastructure (7), health care and data communications infrastructure (6 each), water and sewage sector (4) and education (3).

Out of the 41 projects, 16 proceedings were annulled, 21 are in the negotiation process with interested parties, and in case of 2 undertakings contracts were signed with private partners. In the course of negotiations there are 7 concessions for construction works, 8 concessions for services and 6 PPP projects. A total of 46 investors entered the proceedings advertised in 2009. (PAIiIZ)

Source:

www.paiz.gov.pl

www.inves.pl

Polish-British economic co-operation – a summary of 2009
16-03-2010

The UK is one of Poland's most important trade partners. Despite the global economic crisis, bilateral trade between both countries continued to grow and in 2009 it was £100m greater than in 2008.
At the end of 2008, the UK was the seventh largest foreign investor in Poland in terms of cumulative foreign direct investment (FDI).
The National Bank of Poland's statistics show that €8.4 billion of FDI came into Poland in 2009. This is just 16% less than in 2008. According to FDI Intelligence, 17 greenfield investment projects were carried out by 15 companies from the UK in Poland last year, creating 7,200 new jobs. The largest investment concerned the services sector (26% of all projects) and in agrifood (24% of all project). Britain's largest investors in Poland include: Tesco, Imperial Tobacco, Glaxo SmithKline, British Oxygen Corporation (now Linde), AVIVA, Associated British

Foods, Cadbury's (now Kraft), Shell Overseas Holdings, BP and Pilkington (now Nippon Sheet Glass). According to Polish investment promotion agency PAIiIZ, there were 83 investors from the UK present in Poland, making the UK the seventh-largest foreign investor in Poland.

Globally, the UK is second only to the US, so in Poland, the UK is definitely under-represented.Last year, PAIiIZ piloted 36 investment projects into Poland worth a total of €887m, creating over 9,700 new jobs within the next few years.
Two of these projects come from the UK; one is logistics firm TJX, which is planning to invest €20m and create 800 new jobs. Cadbury's has invested €250m in Poland before its takeover by Kraft Foods, creating 750 new jobs. Kraft has announced that it plans to extend its Polish manufacturing operations at the expense of the Cadbury's plant in the UK.).

PAIiIZ is currently running 118 projects with a joint value of €4,365 billion which could potentially create over 33,500 jobs. Of that number, 17 projects worth €230m, that would create 2,500 new jobs, come from the UK.Bilateral trade between the UK and Poland continues to grow. The UK is Poland's fourth largest export market and ninth largest import source. For the UK, Poland is its 20th largest export market (a fall of three places from 2008) and 15th largest import sources (a rise of three places from 2008). Last year, the value of Polish exports to the UK rose by 8.8% to 4.7 billion from £4.2 billion in 2008. British exports to Poland fell by 7.6% from £3.0 billion to £2.7 billion, In total, bilateral trade grew by £100m compared to 2008.

The BPCC's chief executive officer, Martin Oxley, said: 'We knew that 2009 would be a tough year. So it came as a surprise to us that, despite the big fall in the value of trade in the automotive sector – which is the largest category of bilateral trade between our two countries – Polish exports continue to grow strongly. Looking at the picture from the UK's perspective, we're disappointed that British exporters were not more dynamic when it comes to exploiting Poland's continued economic growth. Also, the pound today is 24% weaker against the euro than it was three years ago, so British products should be more competitive than ones from Germany, France or Italy. That is why we consider that the UK has been poor at making the most of the opportunities to boost its exports to Poland as a way of emerging from the recession".

Source: www.paiz.gov.pl

Events

Southern Manufacturing & Electronics Exhibition.
10 – 11 February 2010, FIVE Farnbourough

Southern Manufacturing is one of the largest industrial technology events in the UK. With over 500 suppliers from the engineering and electronics sector this event is one the most interesting in the year.

During the fair representatives of the Section had the opportunity to establish important contacts with manufacturers, sourcing managers etc. from the UK electronics industry. The event was also a great possibility to present the manufacturing opportunities of Poland to a broad audience of sector specialists and experts.

24th of February 2010

Essex Chambers of Commerce: Poland – an untapped market for UK exporters.

The Essex Chambers of Commerce in partnership with BPCC, UKTI and the Trade & Investment Promotion Section - Embassy of the Republic of Poland organized a seminar targeted at Poland and its investment and trade potential.

Poland is the biggest market in Central and Eastern Europe with a stable and strong economy that has helped the country face the current international economic turmoil, better than many others in the region.

The event brought together the perfect mix of knowledge, insights and local market experience. Michael Dembinski, Head of Policy BPCC gave an in depth presentation regarding the economic situation in Poland taking under consideration the impact of the global economic crisis. Aleksander Libera representing the Trade & Investment Promotion Section, Embassy of the Republic of Poland focused on the key sectors of the Polish economy as well as giving insights regarding EU – funds and the polish preparations for the EURO 2012 football championship. The presentations also included experience reports, potential incentives for UK exporters and a brief introduction to the Polish culture and language.

The event gathered around 50 guests.

www.essexchambers.co.uk

Business Opportunities 2010 – Networking Event

On the 25th March the Trade & Investment Promotion Section in cooperation with BPCC organized a networking event for BPCC members, guests and friends.

Kindly hosted the Embassy of the Republic of Poland we met with members old and new (and not-quite-yet) to discuss the opportunities presented by British-Polish trade in 2010.

The evening was hosted by BPCC Vice-Chairman Michael Clay, who welcomed guests alongside Aleksander Libera, Second Secretary at the Embassy. Over wine and canapes business cards were exchanged, areas of mutual interest were established and votes in the BPCC Business Awards were lobbied for.

The business card draw was much anticipated, mainly down to the presence of three glorious baskets of Polish foods, provided courtesy of the Polish Deli.

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www.bpcc.org.pl

Macroeconomic data

- **Investments in roads**

According to data publish by the Ministry of Infrastructure, in the period between November 16th and March 18th, 2010 there were signed contracts for the construction of over 1,200 km of national roads, including 485 km of motorways and approximately 730 km of expressways, ring roads and major road rebuilding. There were also contracts concerning construction of 317 km of motorways in the traditional system and 168 km in the system of Public - Private Partnership. This year saw conclusion of 6 contracts for new investments. Contractors were selected to build highways: A4 Wierzchosławice - Krzyż, A4 Brzesko - Wierzchosławice, A4 Central Rzeszów - Rzeszow East and expressways: S19 Stobierna - Rzeszow, S7 Pasłęk - Miłomłyn and bypass Jarosław. The value of these investments is PLN 3.251 million. *(Ministry of Infrastructure)*

- **Exchange rates (as of 25.03.2010):**

	Buy	**Sell**
USD	2.8184	2.8754
EUR	3.8376	3.9152

Source: www.nbp.pl

Ministry of Treasury News
Explore Poland's investment opportunities

Ministry of Treasury of the Republic of Poland

POLISH PRIVATISATION IN THE FIRST QUARTER OF 2010

During the first three months of this year, the Ministry of Treasury successfully closed several significant transactions, which raised over £1.2bn in revenues for the state treasury. Most proceeds came from the sale of a minority shareholding in KGHM (a leading global manufacturer of black copper, refined copper and silver), Lotos (a company specializing in the production and processing of crude oil and distribution and sale of petroleum products), Enea (third largest capital group in the Polish energy sector) and the sale of the major shareholding in Bogdanka coal mine (the third largest coal mine in Poland). Analysts, market experts and capital markets professionals agree that in the case of these transactions, the Ministry acted with significant business acumen in order to maximise proceeds and achieve successful sales. These experts' opinions were confirmed by the media. After closing the transaction of sale of Enea's shares, a journalist at one of the major national economic papers published an article titled: "The Pace of Sale of Enea's Stocks Breaks European Record", highlighting that dealing with all the necessary preparations (prospectus, roadshow, book building) leading up to the sale of the stocks took only one month.

Biggest privatisation transactions in 1st quarter of 2010
Exchange rate: GBP/PLN 4,29 pln of 16 March 2010.

Company	Privatisation details	Proceeds
KGHM (metallurgy sector) KGHM POLSKA MIEDŹ S.A.	Sale of 10% of the company's shares on the capital market. The biggest financial transaction based on accelerated book building in the history of the Warsaw Stock Exchange	Over £466 million
LOTOS (oil sector) LOTOS	Sale of 14 mln of the company's shares through the accelerated book building formula	Over £94 million
ENEA (energy sector) Enea	Sale of 16,05% of the company's shares. Second biggest fully-marketed offer in the history of the WSE and the largest transaction in the last three years	Over £264 million
BOGDANKA (mining sector) Lubelski Węgiel „Bogdanka" Spółka Akcyjna	Sale of 46,7% of the company's shares on the stock exchange	Over £260 million

PRIVATISATION OFFER IN A CONSTRUCTION SECTOR

In addition to the biggest projects in the energy, chemical and financial sectors, the Ministry of Treasury invites potential Investors to participate in the privatisation processes of companies operating in other sectors of the Polish economy. The construction sector is one of the key sectors included in the "Privatisation Plan for the years 2008-2011". 40 companies, all differing in location, size and type of activity are included in the privatisation plan, making it an attractive sector for different investor groups.

Thirteen of these 40 companies specialise in road and bridge construction. Most of them are headquartered in the south of the country but some of them also operate in North and North-Eastern Poland. These companies focus their activity mostly on the local market, often having a leading position with regards to the number of local contracts won

Another group of construction companies in the "Privatisation Plan for 2008-2011" are the companies specialising in hydraulic and power engineering. Among them is Elbud from Gdańsk, which follows the current trends in the power sector and plans to expand into the construction of wind farms. Moreover, in the proposal by the Ministry of Treasury there are also a number of construction companies specialising in, among other areas, construction ceramics or dealing with installations, execution of construction projects and trading in construction materials.

The attractiveness of the Polish construction sector is best considered against the background of the whole Polish economy. Despite expected difficulties due to the global financial crisis, in 2009 the construction industry grew by 5%. Forecasts for the sector for the year 2010 are also optimistic, assuming (according to PMR Publications estimates) a further 8% growth. The privatisation of selected construction sector companies is made even more attractive by the planned expenditure for road construction in connection with the preparation for the EURO 2012 football championships to be held in Poland and Ukraine. EURO 2012 will accelerate the construction and modernisation of transport infrastructure and attract thousands of football supporters, creating opportunities for local hotels, restaurants and the tourist industry as a whole. Additionally, of great importance for the growth of construction companies are the planned investment projects co-financed from the EU funds, which are expected to amount to nearly $88.47 billion by the end of 2013.

FOREIGN INVESTORS' PERCEPTION OF POLAND

Thanks to its economic growth record in 2009, Poland has become a compelling place for western investors to consider. At the time of joining the EU in 2004, Poland was perceived as a weak country in many respects, but today it has become an example to follow for the world's biggest economies, for example, by ranking 6th in the "2010 AT Kearney Foreign Direct Investment Confidence Index." This result is even more significant taking into account the fact that in 2007 Poland ranked 22nd –according to the same index. Poland was only outperformed by such significant economies as China, USA, India, Brazil and Germany. The AT Kearney research is, for the Ministry of Treasury, a strong argument in the tough struggle for investors' interest, as well as for gaining influence through privatisation.

The Polish economy is also described in positive terms by the foreign media. For example, in one of the March editions of Le Monde, Poland was referred to as “Europe’s economic leader.” Poland’s economic growth in 2009 made a huge impression, especially on western European countries, which are now keen to track the developments in Poland in 2010. Another reason for optimism is the encouraging GDP forecasts for 2010: according to the Economist Intelligence Unit (EIU), Poland’s economic growth in 2010 will range between 2,5 and 3 per cent. The European Commission has equally optimistic vision of the Polish economy in 2010, forecasting Poland’s GDP in 2010 at 2,6 per cent.

Are you interested in the Polish Privatisation Programme? Are you an investor considering investing in Poland? If so, contact the Investor Relations Centre.

The Investor Relation Centre (IRC) was created by the Ministry of Treasury in July of 2009, in order to provide information and assistance to investors interested in companies participating in the privatisation process. Employees of IRC provide answers to phone or e-mail enquiries. They also help potential investors contact the persons supervising particular companies, organize meetings and provide information on the privatisation program to all those who visit the Ministry.

Contact:
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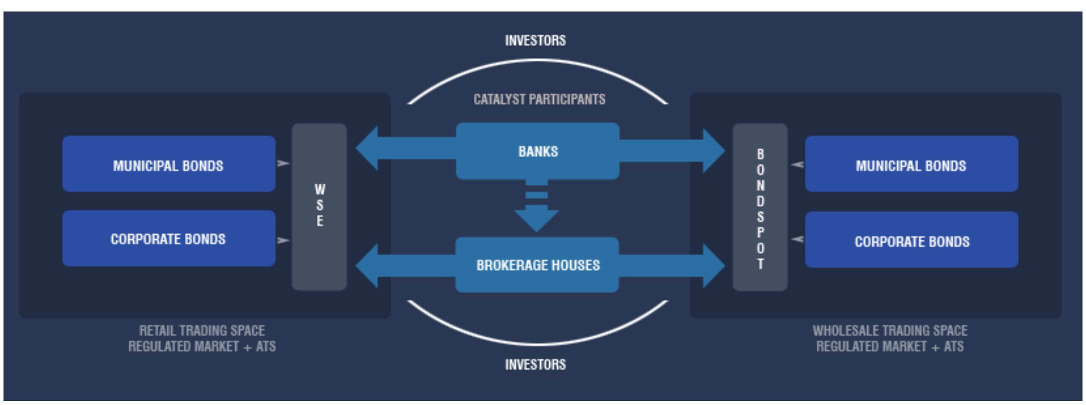
www.msp.gov.pl

Warsaw Stock Exchange News

Catalyst - new market of the Warsaw Stock Exchange

Catalyst – a new market for debt instruments - was launched on 30 September 2009 by the Warsaw Stock Exchange, in cooperation with its subsidiary BondSpot (formerly MTS CeTO).
The creation of a public bond market under the Warsaw Stock Exchange brand gives local governments and companies a new opportunity of raising inexpensive capital for necessary investments. It makes issuers more reliable to investors and contractors and can work as a great marketing tool to promote an issue of bonds as well as the issuer: a municipality, a district, or a company. Compliance with the reporting requirements and up-to-date market quotations of issued securities can help issuers to raise capital more easily in future and may ensure a higher valuation of subsequent bond issues.

Catalyst operates on transaction platforms of the Warsaw Stock Exchange and BondSpot and comprises four trading segments - two segments operated by the WSE (a regulated market and an alternative trading system) are dedicated to **retail** investors; two BondSpot's segments (regulated market and ATS) dedicated to **wholesale** investors.



So far Catalyst has been supporting trading in non-Treasury debt instruments, such as: municipal bonds, corporate bonds, and mortgage backed bonds.

All entities with Catalyst Participant status are allowed to conduct operations on the Catalyst market. The following categories of entities may become Catalyst Participants:
1) investment firms;
2) foreign investment firms;
3) credit institutions;
4) other entities which fulfill the requirements of relevant regulations and give the assurance of proper performance of obligations related to operation on Catalyst.

The rules of trading on the regulated markets and in the alternative trading systems are identical and the only differences apply to block trades. Settlement of transactions executed on Catalyst markets is guaranteed by the settlement guarantee funds managed by the National Depository for Securities. Issuers are bound by reporting requirements including current and periodic reports.

A Catalyst Participant may submit orders and conclude transactions in all instruments introduced to trading on its own account or on clients' account.

www.gpwcatalyst.pl

www.wse.com.pl

From a professionals perspective

Polish Capital for Polish Property

Written by Ben Habib, Chief Executive - First Property Group Plc

One of the principal reasons Poland has so far been able to navigate the credit crunch without going into recession has been its largely balanced economy, with a strong export and consumer economy. But its economy remains unbalanced in at least one material way. There is a very limited domestic capital market for investing in income producing commercial property – offices, shops, leisure and industrial. There are a number of first class property developers but Poland has not established a significant local market for investing in commercial property itself. Commercial property is part of the life blood of all economies housing, as it literally does, all businesses.

Poland's stock and debt markets have taken big steps forward in the last decade. The same is not true about commercial property. Long term investment in commercial property has thus far been a field dominated by international investors. This leaves Poland prone to the withdrawal of capital by such investors as has recently happened, with most international investors retreating to their home economies. A dearth of end investors for commercial property inevitably leads to a fall in values and a reduction in supply of new space and/ or an increase in the level of rent payable by occupiers. This is self evidently bad for Poland's growth prospects.

One of the reasons that Poland has failed to develop a vibrant internal property market has been the legal restrictions foisted on Polish institutions. Pension funds in particular are highly restricted in what they can invest in. Bizarrely, section 141 of the law on the organisation and operation of pension funds 1997, which stipulates the list of acceptable asset classes in which pension funds may invest, does not once mention property. It makes much mention of deposits, bonds, publicly quoted shares etc but it fails to address property. It would appear that the powers behind that legislation did not recognise property as a suitable asset class!

Poland's economy and legal structures have come a long way since 1997 and the regulatory environment for Polish institutions must now be reformed.

My own company, First Property Group plc, which owns, on behalf of funds managed by it (ironically, mostly for a UK pension scheme), some Eur 300 million of commercial property in Poland, is currently raising a new fund to invest in commercial property, mainly in Poland. As a result of value reductions, yields on commercial property have risen by some 20% since 2008 and we believe we are at or close to the bottom of the commercial property investment cycle. Rents, which have also fallen, would appear to be bottoming out and both rents and values are forecast to rise this year. This is therefore a very good time to invest in Polish commercial property. The number of UK and international institutions interested in investing in such a fund is much fewer than in 2005 to 2007. They are now much more risk averse and not ready to venture outside their own comfort zones.

But where are the Polish institutions? They should be using this tremendous buying opportunity to capitalise on the market for the benefit of their pensioners and policy holders. Investing in property is a cyclical business and this is the right point in the cycle for them to be entering the market.

An adverse consequence of the recent weakness in Poland's economy has been the increase in the country's budget deficit. The deficit is still much healthier than many neighbouring and Western European countries but it is due to rise to some 7% of GDP, more than twice the rate prescribed by the EU.

One of the means by which the Polish Government intends to lower this deficit and avoid breaching the statutory ceiling of total Government debt to GDP, of

55%, is by the privatization of state industries. Many commentators have caste doubt on this as being a viable solution because of the sheer scale of privatizations that would be required to make it workable.

There is an additional way they can reduce the budget deficit – by the sale (and possibly lease back) of Government property. Many Western European Governments have been using this well tested fund raising mechanism since time immemorial. The Polish Government should be doing the same. In order to avoid selling all its crown jewels to foreigners and to create the market in which to sell these assets, it should liberalise the restrictions on Polish pension schemes and provide incentives for local investors to buy these assets.
The deregulation of property ownership to allow foreign investors to directly own Polish property was a very sensible statutory change introduced by the Polish authorities some years ago. But they left the local market at a distinct disadvantage when they failed to also deregulate and incentive local institutional property ownership – it is high time that this changed.

Retail Grocery Market in the UK – perspectives for Polish suppliers

Written by Joanna Lankiewicz, II Secretary, Embassy of the Republic of Poland, Trade & Investment Promotion Section

In the tough economic situation we keep on experiencing nowadays it is hard to judge whether the worst of recession is over or not. Lately some big chains reported slowdown in sales, some found the Christmas sales disappointing, while in other trading of premium goods are up.

Therefore the industry was waiting for the new Budget hoping it won't add new costs to running their businesses. Now that the Budget was announced the industry leaders are afraid that increasing the tax burden on the food and drink sector in the new Budget might be difficult to digest by the industry. Among those the most difficult are especially increases in duty, national insurance and minimum wage.

These measures come soon after the entry into force of the new Groceries Supply Code of Practice (GSCOP) earlier this year. The need for a new order was clear after the three year investigation into the retail grocery market it was concluded that there is the exercise of buyer power by certain grocery retailers with respect to the supply of groceries, through the adoption of supply chain practices which transferred excessive risks and unexpected costs to suppliers. The new GSCOP replaced the old Supermarket Code of Practice and includes all retailers with a turnover in groceries in excess of £1 billion per year. This means that not only the Big Four is concerned, but this includes retailers such as Marks & Spencer, Waitrose, Lidl, Iceland and the Co-operative Group. Groceries mean food, alcoholic and non-alcoholic drinks, cleaning products and toiletries and household goods.

The new code, regulated by the Office of Fair Trading, intends to force supermarkets to enter into written agreements with their suppliers for groceries and there are parts of the GSCOP which must be incorporated into such contracts.

It seems that the tougher measures introduced by the new GSCOP are in general a good idea, but much will depend on the newly created institution of an

Ombudsman to monitor and enforce compliance with the GSCOP. His/her role to arbitrate in disputes and penalize foul play is probably the only effective solution if one takes into account the supermarkets' reluctance to agree to an effective voluntary code of conduct. The question is only as follows – what tools will he/she have at hand? Should it be the ability to levy fines, like Tim Lloyd, an associate professor at the Nottingham School of Economics, suggests?

In the same time public opinion remains shocked by the publication of the findings of the inquiry into working conditions which was conducted in several meat processing plants by the Equality and Human Rights Commission. It concluded that exploitation and abuse of mainly migrant agency workers was rife, and threatened to name and shame companies unless practice changed.

All this factors show that big supermarket chains are under closer scrutiny than ever in terms of fair trading, conditions of work and dealing with suppliers.

Therefore the entry of the Polish suppliers to the British big chains can prove to be more challenging than ever before. The proposals must be well prepared, competitive in both price and quality and backed by the appropriate budget.

If you would like to share your opinions on the food sector in the UK, please let us know.

www.london.trade.gov.pl

Sources:
www.thegrocer.co.uk
www.dwf.co.uk

Regional Focus: Opolskie region

Interview with Mr. Józef Sebesta – Marshall of the Opole Voivodship

Through your region runs A4 – the most important motorway in southern Poland which is part of the trans-European route Berlin-Kiev. The Opole region is one of the most developed areas in the country in terms of transportation infrastructure – the density of public road network measures 90.9 km for each 100 km^2. The railway network is also highly developed – its density is 9 km for each 100 km^2. Could one say, then, that the Opole Region is a true window to the world?

The Opole region is certainly an open one – open to investors, innovations, tourists and neighbours.

One of the principal assets of the Opole region is its convenient location along major transportation routes of international importance: road, rail and also water transport on the Odra River. The A4 motorway connects the region with large European centres. But the region is also open to cooperation. Our regional councils dynamically cooperate with partners all across Europe; the region tops the charts of foreign investment-friendly regions in Poland, while the quality of investment services has become one of the best in the country. We have excellent investment areas and professional investor services, attested by such certifications as Municipality Attractive for Investors ("Gmina Atrakcyjna dla Inwestora"). Potential investors have over 5,000 ha of investment plots and manufacturing facilities to choose from, nearly 740 ha of which has been already designated as sub-zones of the Special Economic Zone network – just this January an additional 265 ha has been added to the special sub-zones. Those investing in these special zones will be able to take advantage of tax breaks at the highest level in the country – up to 50% of the total investment value for large corporations, up to 60% for middle-sized ones and 70% for small businesses. Majority of municipalities run local programmes of support for entrepreneurs; significant assistance for potential investors is also offered by the Opole Region's Executive Board. We have decided to award financial assistance to each municipality in which an investment of more than PLN 50 million will be located. The assistance will be directed at enhancing the investment plot, i.e. technical base preparation or construction of access roads. It is worth mentioning that the region is developing dynamically because it efficiently utilises assistance funds. Directly or indirectly, each inhabitant of the region has benefited from the EU funds, thanks to which our economy has become more modern, our technical infrastructure better and our quality of life enhanced in almost every aspect – health care, culture, social policy. In the years 2004-2006 the Opole Region received nearly PLN 1.1 billion from the former round of structural fund allocation and from the Cohesion Fund. If we add to this amount the financial contributions of beneficiaries, we can estimate that thanks to these programmes the region was able to implement projects of the total value of PLN 2 billion. New learning facilities have been built for schools and universities, cultural institutions have been enlarged and modernised, hospitals have invested in cutting-edge diagnostic equipment, many kilometres of new roads have been constructed. And let's not forget that we are in the middle of the next edition of the EU financial assistance programme, in which even larger amounts of funds have been flowing into Poland and its regions.

You mentioned active international cooperation. Among partners of the Opole Region, there's Rhineland-Palatinate in Germany, Spanish Galicia, Burgundy in France, Komitat Féjer in Hungary, Ivano-Frankivsk Oblast in

the Ukraine, as well as Central Bohemia and Olomouc Regions in the Czech Republic. The Opole Region is also rich in 4 cultures: Polish, Silesian, German and Czech. Does the region consider itself as a strong European region in this international context?

The people of the Opole Region have always been up-to-date and open to the changes brought by the ever-changing modern world. They gave voice to this during the referendum, when Polish citizens were asked to express their willingness to join the European Union. The inhabitants of our region expressed the strongest enthusiasm for European integration. Nearly 85% voted "yes" – no other region in Poland noted similar results. It testifies to our readiness to take on new challenges, our conviction that we will manage in the new European reality, that we didn't fight for a separate region in vain.

Despite the fact that we are the smallest of all Polish regions, the Opole Region has a strong identity – and this is also our strength. We are a borderline region in the socio-cultural sense. Our region is marked by multiculturalism, our people known for their hard work and for good housekeeping, and our towns look well taken care of. We're envisioning the Opole Region as a region open to the world, and our mobile, educated population works towards that goal. These are important reasons to support the notion that small does not mean weak. Recent rankings of efficient usage of EU assistance funds amply demonstrate this claim. In the last few years, we have learned to navigate difficult procedures of assistance funds usage, and I can proudly say today that for the last few months we've been among the best – the Ministry of Regional Development estimates that we're one of the most efficient and effective regions in terms of obtaining and utilising assistance funds.

One of Opole Region's strengths is also its innovative economy. Thanks to research centres such as the Mineral Construction Materials Institute, "Blachownia" Heavy Organic Synthesis Institute, Environmental Engineering Institute of the Polish Academy of Science – not to mention the Silesian Institute and the newly conceived Opole Technology Park – is the Opole Region poised to become a leader in the domain of innovation?

Decidedly yes – the institutions that you've mentioned are very dynamic and without doubt serve as examples of desired activity. They maintain strong ties with manufacturing industry, what is very important because we want to support a knowledge-based economy. A good example of heightening the innovative potential of the region is the push given to the Opole Science and Technology Park through the engagement of key regional partners and through strengthening of its infrastructural potential. Equally crucial is the creation of the Science and Industry Consortium for the Development of Nuclear Energy, initiated by the Opole metal manufacturing companies. The Opole Economy Development Centre is involved in both of these projects as an active participant in the process of developing the innovative potential of the Opole region. On the other hand, we realise that cooperation between businessmen and researchers requires constant improvement. Large corporations introduce new technologies thanks to the research base at their disposal. They are protective of these new ideas and technologies. Smaller companies cannot afford that. The knowledge of people employed in these regional centres must be equally distributed. They include universities and institutes. We will therefore support academic institutions in order to create business centres. In this way, academic institutions may be put in touch with those firms who can't afford to conduct their own research. This benefits both sides: companies gain access to new technologies, and universities fulfil their academic potential. Thanks to this arrangement, the output of academics doesn't need to land in a drawer. In addition, teachers and their students may enhance their theoretic education with elements of business practice.

The academic base of the region consists of six institutions of higher learning; you also have satellite locations of universities from outside the region. The main academic centre is Opole, where the major institutions are located: the Opole University and Opole University of Technology, the Public Higher Medical School in Opole, and the Higher School of Management and Administration, jointly educating over 31,000 students. Is the education obtained here valued in Poland and abroad?

The Opole Region is a young, but increasingly well developed academic centre. Today, students can obtain education not only in Opole, but also in Nysa and Brzeg. Ten years ago we had only three functioning universities in the region – today the Opole educational offer includes new, attractive specialisations, our institutions cooperate with their counterparts abroad, they offer good housing for students. These enticing features have attracted more and more young people to obtain their degrees in our region, and by extension have increased pedagogic skills of educators, who have a chance to remain in the region. We have noticed that young people from across the nation are increasingly interested in what our schools have to offer, they come here more often and decide that it's a good place to study. We are quite aware that development initiatives will not succeed without the potential of human capital. That is why the investments in people, in their knowledge and skills, will remain our regional government's utmost priority. The region's ability to take advantage of knowledge-based economy depends to a large extent on the level of education. The regional council of the Opole Region sets aside in its budget funds to support high achievement of teachers and students. We award prizes to teachers and academics for exceptional achievements in the area of development and widening participation in education; each year the Marshall dispenses scholarships; we have also founded the "Professor Opoliensis" award for ground-breaking research that contributes to the development of our region and its education. In addition, our universities receive financial support for educational projects and research, we fund construction of academic facilities for schools in Opole, especially for those disciplines that are most attuned to market needs – such as chemistry or civil engineering.

All these activities raise the quality of education in the region. We are fully aware that in the larger perspective they may significantly contribute to the development of the Opole region as well.

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