

# The phenomenon Poland and unused investment opportunities

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## Why right there?

Thus the leitmotiv could be identified, which was floating over the whole event. And it should be remarked that legitimately. The fact that our entrepreneurs and investors still did not discover and did not use opportunities, which this market offers generously, is indisputable. For example, the reasons for which it is beneficial to ripple entrepreneurial ambitions here, sees the commercial counsellor in Poland, Vladislav CHLIPALA entire series. Despite the global crisis, the financial system and the business environment in the country that entered the EU on May 01, 2004 as we, remains stable. Poland is the biggest importer of foreign direct investments among the new EU members. Due to the population it obtains 67 billions from Euro funds for regional programs, human capital development and for cross-border cooperation. Support for business there is unparalleled: if the company creates over 250 jobs it receives from the state 3 million zloty at least.

Most is invested in Warsaw, but the farer from the centre the more increases the support for small and medium enterprisers. The banking sector enjoys high liquidity, because there was not - with two exceptions - the representation of U.S. banks with toxic assets. The significant factor in the attractiveness of Poland includes the fast growing domestic market, profitable economic conditions, cost effectiveness, low taxes and low mortgage loans to GDP (11.7%) and development of information technologies. And who constitutes the modern Polish society? There are adaptable and educated people (29% with higher education in age from 20 to 29 years compared with 13.2% of us) from which about two million students have a good knowledge of languages. "The Polis people believe in their business, they are resourceful and good traders. They are needed to draw them in Slovakia and we go to them," CHLIPALA pointed out.

## Perspective in infrastructure, parks and tourism

Juraj Bazala, which helps Swedish companies to invest in Poland in addition to Slovakia and Czech Republic, advised of the most frequent problems with which the foreign entrepreneurs face in this country. According to him, especially the complex form of business registration in touch with the authorities and communication in Poles language, which has hundreds of identical, but semantically different words. With GDP 15-dollars per head have 8 millions Poles higher economic standard than Scandinavians. For the question which areas are worthy in terms of business demand, he specified the road infrastructure, which is being built less, and department of tourism. „Poles are great travellers but only very few companies deal with travelling Slovaks to Poland,“ Bazala added.

Slovaks in Poland would be able to gain a foothold in what they know to do best: for example, high-quality roads. Slovak firms are already participating in the highway building around Katowice. After adjusting the Polish currency and the recent collapse of zloty the conditions are more favourable for us - building materials prices cut here and it is worthy investing to lands or to construction of innovative technological and industrial parks, which are significantly more here than in Slovakia.

"I think that each good idea will sustain in Poland. We should be promoted more through the Internet," commented CHLIPALA and considered remarkable that we have the same turnover along with 10-million Hungary and nearly 40-million Poland - the 6th most important partner in exports. According to him we would be able to succeed there by the promotion and export of high quality Slovak wines.

## **VAT - watch for the correct period**

Consulting and outsourcing company accace residents in Warsaw offers tax and accounting consulting in the Central and Eastern Europe on local and international level. It entered the Polish market in 2006 together with its clients - expanding companies from Slovakia (construction industry, services, transport, forwarding and manufacturing). The Company accompanies its clients from the beginning of their activity in Poland (proposal of optimal form of business, establishment of an entity, setting its accounting and financial processes, guidance for a company).

Martin Porázik (accace) justifies attractiveness of entrepreneurship in the country by the market size, the range of investment opportunities, the legislative changes to promote entrepreneurship, the free movement of capital, goods, services, labour and cultural and linguistic affinities. Although the Polish accounting and taxation legislative is being approximated with EU standards, in certain cases, it is characterized by specificities and differences (the establishment of a company is time-consuming process, more documentation in the bookkeeping, restriction in respect of VAT deduction on company passenger cars, input VAT and exit VAT as well - watch for classification to correct period set differently than in our country).

## **Advance towards the EU, decrease towards itself**

Results of the Polish economy from January and February 2009 document the impact of the global crisis in local conditions. According to the data from GUS - the Main Statistical Office of the Republic of Poland the state budget deficit represented 5.3 billions PZL. In January 2009 there was turnover decrease in foreign trade: export revenues fell by 26.3% to the level of 6.8 billions Euro and imports by 28.0% to 7.7 billions. The total deficit in foreign trade - it fell to the level of 920 millions Euro compared to 1.5 billions Euro in January 2008. Although GDP growth in Poland vs. EU (%) is higher, the slowdown is evident in last three years: 6.6 / 2.9 (2007), 4.9 / 0.9 (2008), 2.0 / -1.8 (forecast 2009). Obvious is also the growth of inflation (%): 2.6 / 2.3 (2007), 4.2 / 3.7 (2008).

The basic areas of the economy remains in negative trends compared to the same period in 2008. Besides the increase in prices, it was recorded lower growth of construction production and assembly operations, a fall in retail sales and industrial production sold (14.3% compared to the growth of 12.4% last year). Decreased sales in enterprises that produce investment, supply, energy and consumption values, the growth of construction production and assembly operations (by 2.0% versus 17.0% one year ago) and retail sales (1.2% compared with the growth of 17.8% last year).

Many of the social data report better state in comparison with the situation one year ago, but compared with January 2009 signalise the reverse to the wrong direction. Number of unemployed registered at the end of February 2009 was 1.719 million - what means by 60 thousand less than in February 2008, but in comparison with January 2009 by 84 thousand more. Also the registered unemployment rate from the end of February 2009 (10.9%), less compared to February 2008 (11.3%) but higher compared with January 2009 (10.5%) highlights the increasing trend.

## **How to start? Good counsel does no harm**

It is, however, much to gain on in all kinds of transport. For example, till now we have neither regular air route to Poland and rail link also limps. „If infrastructure is not good, not good cooperation is to be,“ pointed the representative of the Slovak-Polish Commission for the cross-border cooperation. As regards the cross-border cooperation program PL - Slovakia 2007 - 2013, all appeals have gone; investment projects are ready to be implemented. By the end of May there is the appeal for small projects (People to people, cultural activities). On the Slovak side (Žilina and Prešov region) 220 small-scale projects are ongoing. Greater projects concern the construction of sewage treatment plants or cultural houses. On the Polish side are projects focused on the infrastructure in the Euro regions Tatras, Beskydy, the Carpathian

Mountains (e.g. the proposal to build-up a cycle route around the High Tatras).

And what are the main recommendations while entering the Polish market? By Martin Porázik a company must first consider what type of activities wants to perform and then to verify what type of business entity is the best. It should also be familiar with the obligations arising from the laws in force in the concerned country. The Poland legal regulations are harmonized with the EU ones, but there are still many ragged areas, which our people cannot rely on. One of the major risk factors for the company is, if it has not steps aforethought and starts their activities before receiving all the necessary registrations. In such cases it is better to contact the company, which is well acquainted with the problematic and have the mandatory opinion made by this company.

Graphs - OBEO / GUS Warsaw

- 1 - Industrial and Technological Parks in Poland
  - 2 - Foreign direct investments infusion
  - 3 - Relationship of real-estate credits to GDP
  - 4 - Proportion of persons with higher education aged 20-29 years
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