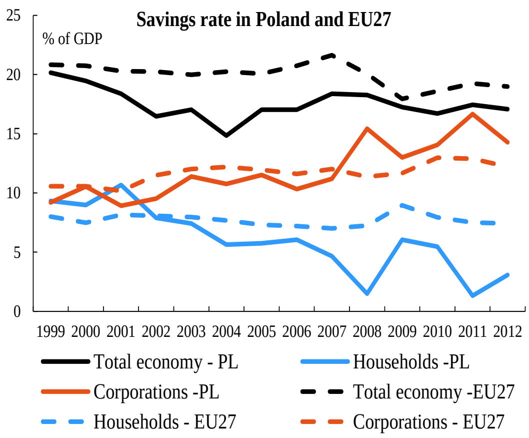
INVESTMENT IN POLAND

What is the situation in Poland?

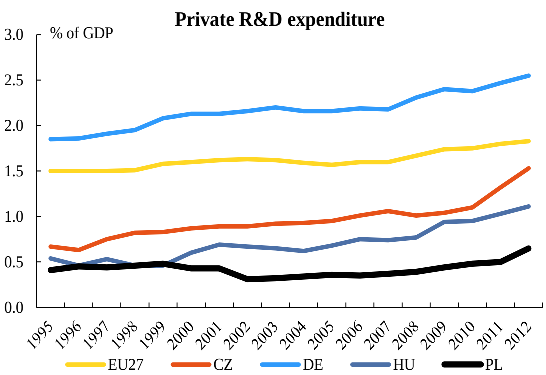
While Poland enjoyed remarkable growth over the past 25 years, its rate of investment has been comparatively low. In 2002-2013, investment accounted for 19.8% of GDP, below the EU average of 21% and well below Poland's peers - the Baltic States, Slovakia, the Czech Republic, Romania, Bulgaria and Hungary. Over the past decade, total investment hampered by weak corporate investment as opposed to government and household investment. Government investment, supported by EU funds, has started to play an even more important role since 2008, accounting for 5.1% of GDP in 2008-2012.

What is the main challenge?



Low domestic savings, lower than among the country's peers, and relatively limited inflows of foreign savings hamper growth of private investments in Poland. Household savings have been declining since 2001 and are among the lowest in the EU. Companies took over as the most important savers as their profitability increased, boosted by contained labour costs. The high profitability of the corporate sector in Poland does not, however, translate into high business investments. The labour-intensive nature of production in Poland reduces the need to upgrade production facilities.

Opportunities for Investment



Given the low innovation record of the Polish economy and intensifying competition from other emerging markets in high technology sectors, the private sector needs to target investments to in-house R&D. Despite high public infrastructure investment in recent years, there is also a need to complete the construction of the transport network, in particular rail, and there is room for further investment in energy generation and distribution capacities as well as broadband infrastructure.

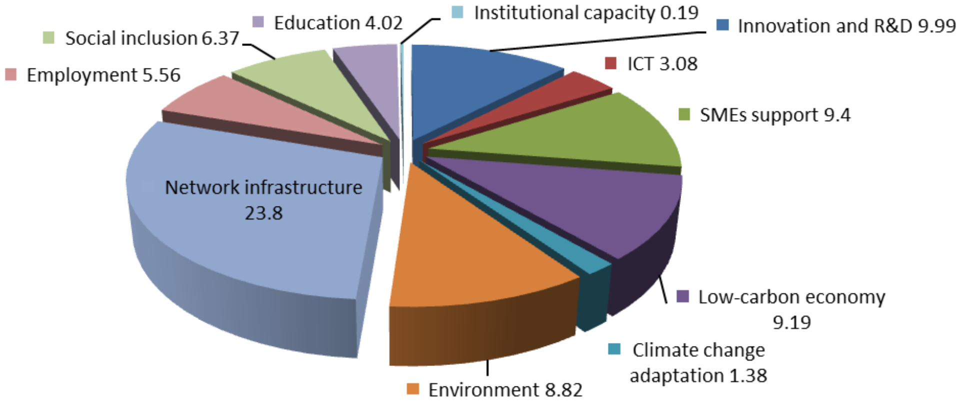
Reforms for investment

In the Country Specific Recommendations Poland, the European Union recommended:

Reinforce the budgetary strategy to ensure the correction of the excessive deficit	Improve the effectiveness of tax incentives in promoting R&D in the private sector to strengthen the links between research, innovation and industrial policy
A durable correction of the fiscal imbalances	Renew and extend energy generation capacity. Extend the development of the electricity grid, including cross-border interconnections, and develop the gas interconnector with Lithuania
Increase youth and female labour market participation, including by adjusting skills supply to skills demand	Ensure effective implementation of railway investment projects
Improve the business environment	Accelerate efforts to increase fixed broadband coverage

EU funding for investment

2014 - 2020
in billion EUR



*Source: **Partnership Agreement:***
http://ec.europa.eu/contracts_grants/agreements/index_pl.htm
** excluding European Maritime and Fisheries Fund (EMFF)*

Past or ongoing projects for investment

Gas interconnections
Gas interconnection (currently known as Stork II)
(Czech Republic, Poland)

Transport interconnections
Freight corridor "North Sea – Baltic"
(Germany, The Netherlands, Belgium, Poland, Lithuania, Latvia, Estonia)

Connecting Europe Facility:" Baltic – Adriatic" core network corridor
(Austria, Italy, Poland, Czech Republic, Slovakia, Slovenia)

Connecting Europe Facility: "North Sea - Baltic" core network corridor
(Estonia, Latvia, Lithuania, Poland, Germany, Netherlands, Belgium)