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REGIONAL INCENTIVES AND POLYCENTRICITY IN POLAND

in the framework of ESPON project 3.4.2

**Territorial Impacts of EU Economic Policies
and Location of Economic Activities**

Polycentric Development and Urban-Rural Partnership in INTRREG
Den Haag, 25th April 2006



Key research questions

General project questions:

- ❖ **What are the patterns of localisation of activities in Europe ?**
- ❖ **What are the determinants of these patterns and is policy one of them ?**
- ❖ **If policy makes a difference, what types of policies have which effect on what types of regions / economic systems ?**

Case study question:

- ❖ **Do the regional incentives influence pattern of economic activity and level of polycentricity in Poland ?**

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Regional aid in Poland

General incentives

- ❖ Act on Financial Support to Investment (2002)
c.a. 300 mln PLN (75 mln EUR) annually

Regional incentives

- ❖ Special Economic Zones Programme (1994)
14 zones and 98 sub-zones (locations in 2005)
c.a. 650 mln PLN (150 mln EUR) in 2004

Local incentives

- ❖ Industrial and Technology Parks (1995)
mainly infrastructure and support services

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Special economic zones - instrument

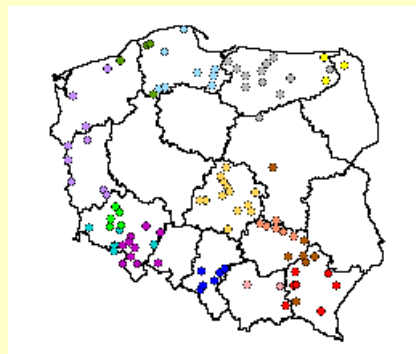
Incentives:

- ❖ initially: corporate income tax exemptions (first 10 years - 100%, next 10 years -50%)
❖ only selected branches of industry; strict requirements on value of investments or number of jobs
- ❖ currently: up to 50% of eligible costs (+15% for SME)
❖ also services; negotiated requirements

Effects:

- ❖ 429 investors
(679 valid permissions)
- ❖ 20 bln PLN (c.a. 5 bln EUR)
direct investment stock till 1995
- ❖ 77 thousand workers
- ❖ average investment:
10 mln EUR
180 employees
65 000 EUR per one employee

Location of sub-zones (98)



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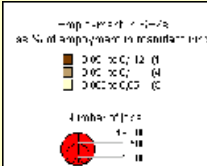
Special economic zones - significance

GENERAL

- ❖ 3% of total jobs in manufacturing sector
- ❖ 20% of jobs growth in manufacturing sector in 2004
- ❖ 10% in total investment outlays in industry sector
- ❖ c.a. 2% share in fixed assets in industry

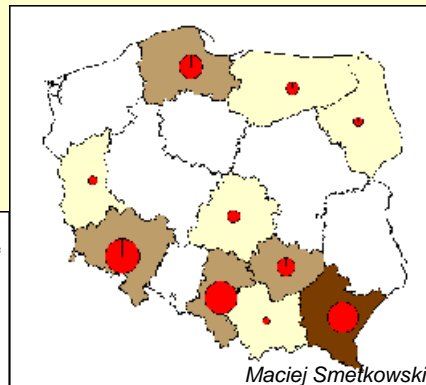
SPATIAL

- ❖ spatial concentration:
 - Katowicka SEZ (Upper Silesia) 33% of investment and 22% of jobs
 - six the most important zones 84% of investment; 79% of jobs
- ❖ in fact only 5 regional labour market affected (over 5% of employment in manufacturing)



SECTORAL

- ❖ sectoral concentration
 - 42% in automotive industry (General Motors, Volkswagen, Toyota) and
 - related branches like rubber, plastics and metal products (in total 23%).

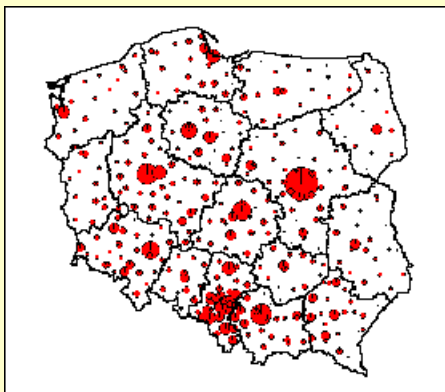


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Pattern of economic activity – industry

Employment in industry [jobs], 2004

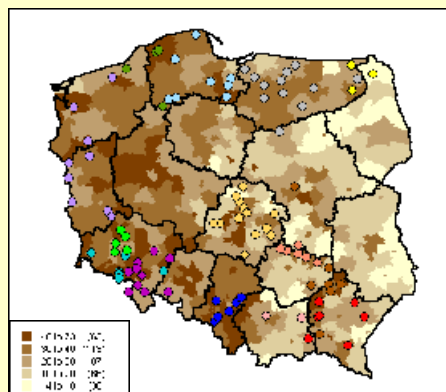


- ❖ industry concentrated in the largest cities



Settlement structure

Share of employment in industry [%]



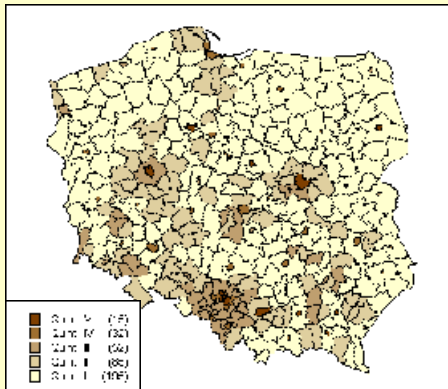
- ❖ western regions have larger share of employment in industry
- ❖ SEZs located in areas with higher share of industry

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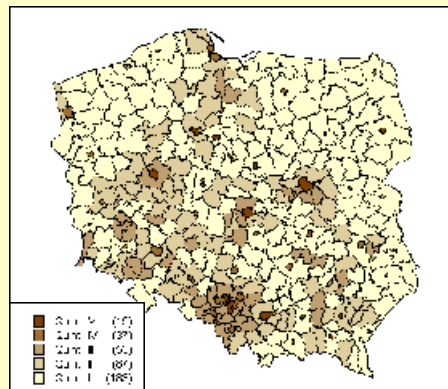
Polycentricity of industry sector

Quintiles of employment in industry,
2000



Ginni coefficient = 0,318

Quintiles of employment in industry,
2004



Ginni coefficient = 0,341

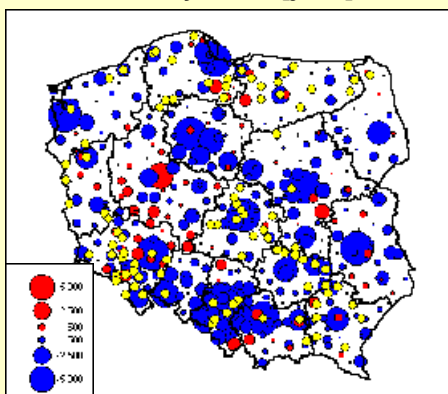
❖ relatively low, but growing spatial concentration of industry

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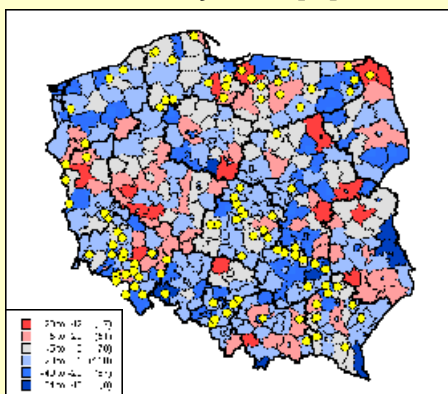


SEZs programme impact on polycentricity

Change of employment in
industry 00-04 [jobs]



Change of employment in
industry 00-04 [%]



❖ small impact of SEZs on spatial structure of industry
❖ rather instrument of industry re-structuring than regional development

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Conclusions and recommendations

Regional incentives (special economic zones):

- ❖ very weak territorial impact,
- ❖ temporary instrument to support selected locations,
- ❖ strong spatial and sectoral concentration,
because:
 - ❖ incoherent objectives of the programme,
 - ❖ evolution from regional policy instrument to general incentives scheme (sub-zones location adjusted to investors needs),
as a result
 - ❖ ineffective instrument: re-locations, substitutions and neutral gear effects.

Recommendations:

- ❖ new instruments should be implemented targeted on the one hand at innovativeness in economic centres and on the other hand on human capital development and infrastructure fundamentals in lagging regions.

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