

Investment and Investment Finance in Poland and the EU- Conference Report

On April 13, 2018, the Narodowy Bank Polski (NBP) and the European Investment Bank (EIB) co-organized a conference on Investment and Investment Finance in Poland and the EU. The conference was held at the premises of the NBP in Poland and it attracted more than a hundred participants from both the private and public sector. High-level experts and eminent practitioners discussed the current state of investment in Poland and the existing capital structure of the Polish economy, the role of Poland's financial system in allocating capital to efficient use, the bottlenecks and the good examples in funding innovation.

Welcoming remarks

In his opening speech EIB Vice President **Vazil Hudak** thanked the NBP for hosting the event. He emphasized that while the EU is facing many challenges on various fronts, the projects implemented by the European Investment Bank aim specifically at the points in the economy where investment is lacking. He pointed out that the key messages of the EIB Investment survey are positive: more than four out of five firms made an investment in the last financial year, and even among small and medium-sized companies, almost 80% invested. Even better news is that more firms expect to increase investment in the coming year than the number projecting a decrease in investment.



When it comes to Poland, the Vice President highlighted that within Europe, Poland emerges as one of the most dynamic countries. Investment activity of the Polish firms is increasing; nevertheless, 24% of Polish firms perceives that they underinvested in the last years. In order to move up the value chain, the Polish economy would benefit from further investment in skills and education, improving business environment, financing support of innovative SMEs, as well as continuing supporting research and

development so that it increases. Vice President Hudak emphasized that the European Investment Bank – the EU Bank – stands ready to support Poland and the Polish companies in these challenges through its instruments. Last year the EIB invested EUR 5.4bn into Poland, making the country the 5th largest recipient of EIB loans last year.

Panel 1: What are the investment needs in the new growth model for Poland and the region?

The next session began with the presentation of **Debora Revoltella** (EIB) on the EIB Investment Survey. Her intervention was followed by a panel discussion, including **Łukasz Postek** (NBP), **Mateusz Walewski** (Bank Gospodarstwa Krajowego) and **Piotr Kalisz** (Bank Handlowy). The session was chaired by **Paweł Szafamacha** (NBP).



When it comes to corporate investment, the discussion highlighted that capital formation in the corporate sector is increasing in Poland. Even better news is firms have an increasing focus on innovation, yet usually they rely on adoption of technology. Nevertheless, to support economic convergence, more innovation is needed to kick-start a new growth model based on knowledge economy and productivity growth. It is time for Poland – and for other countries in the CESEE region – to switch from being a technology adopter towards home-grown innovation.

Beyond that, evidence also shows that there is a strong need to upgrade the quality of the capital stock. By European standards, Polish firms have little state-of-the-art machinery and equipment, and their premises are lagging behind in terms of energy efficiency standards.

Looking ahead, the key challenges that the corporate sector is facing when it comes to investment is the lack of availability of appropriately skilled staff. The panellists agreed that medium-term growth depends crucially on developing, strengthening and retaining a skilled labour force. Also, business uncertainty needs to be addressed to support and increase investment.

Looking at local municipalities, convergence towards the knowledge-based economy can be strengthened through EU funds, which can fuel the continuation of Poland's dynamic infrastructure development. While addressing the existing gaps in physical infrastructure, a "smart" approach needs to be embraced. The speakers also stressed that better coordination between the various levels of decision-making within the public sector levels can be beneficial to ensure the efficiency of infrastructure development.

Panel 2: Impediments to Investment – what should be done, and where?

The following session took the format of a panel discussion. It focused on what can be done in practice to increase investment in Poland, and investment in intangibles in particular. Panellists included

Maciej Ptaszyński (Polish Chamber of Trade), **Roman Trzaskalik** (Science and Technology Park Euro-Centre LLC) and **Sandrine Crozet** (EIB). The session was moderated by **Áron Gereben** (EIB).



The panellists acknowledged that the lack of skilled labour is a key barrier to investment in Poland, like in other parts of the CESEE region. Public policy has a strong role in increasing and preserving the skilled labour force by providing better education, more university places, better vocational training. Housing conditions and general quality of life also matters. They also highlighted that maintaining and improving

the skill set of the labour is key to innovation.

The panel also touched on how local public authorities can support the transition of the economy towards skills and innovation, and highlighted the positive example and results in supporting innovation by science technology parks.

The discussion also highlighted that innovative firms often need special types of financing. These can include crowdfunding, venture capital, private equity etc. Looking ahead, these types of non-bank financing products could play an increased role in Poland. The share of venture capital markets, for instance, is below the EU level, although recent public sector initiatives are there to help. International financial institutions (IFIs) can play a very important role in the transition towards a knowledge-based economy. They can offer a variety of products to public and private sector entities that foster innovative capacities. These range from loans supporting the infrastructure – a key enabling factor of investment – to various loans, guarantees and risk-sharing products dedicated to SMEs.