

Poland bets on development through innovation

The new Minister of Development, Mateusz Morawiecki the former CEO of BZ WBK (Santander Bank) in Poland, is supposed to play a pivotal role in carrying out the economic policy of the new Polish government formed by PiS (Law and Justice).

PiS's current political philosophy is drawn from a merge of both conservative-liberal doctrine and welfare economics. On the one hand, PiS wants the state to play a vital role in the economy. On the other hand, it also plans to broaden economic freedom. PiS also stresses the importance of innovation and has a vision of Poland becoming a leader in new technologies and not just a provider of a low cost labour force. The Minister of Development's new programme is supposed to increase the level of innovation in the Polish economy and attract new investors, mainly from the technology and R+D sectors.

Less obstacles for innovators

PiS plans to change the way the EU funds are spent, so that they can be used to support research and development. The budget for patent clerks will also be increased, and a new governmental agency will be created to support applied research. PiS will also try to ensure foreign capital is more involved in industrial investment in Poland.

The deputy Minister of Development Jadwiga Emilewicz will be tasked with coordinating the actions aimed at achieving this goal. Morawiecki's ministry will carry out much of the work itself, (for example it will strengthen the role of patent representatives). In other areas it will cooperate with the Ministry of Finance (for example on increased tax breaks for innovative investments) and the Ministry of Science (with regard to commercialising scientific research). BGK, The State Development Bank of Poland, is also expected to

play an active role in financing the implementation of this programme.

Attracting new type of investments

Foreign investment is expected to fund innovation in the economy. PiS wants foreign capital to move away from what is perceived as investment in the creation of low value employment and to invest, instead in projects that will create higher quality jobs and improve the competitiveness of the Polish economy. To this end, the Ministry of Development is working on new incentives for investors from the technology and R+D sectors. It is also looking at changing the conditions applying in special economic zones to attract more innovative investment. However, the Ministry plans to offer fewer subsidies or tax breaks to traditional investors (such as car manufacturers).

Support for small and medium-sized enterprises (SMEs)

PiS wants this sector to benefit from a newly-established Charter for Small Enterprises. It has announced regular institutionalized consultations between representatives of SMEs and the government. According to PiS's plans, enterprises with a turnover less than EUR 1.2 million (PLN 5 million) would pay 15% corporate income tax instead of the current 19%. Also they would not have to file monthly and quarterly tax returns. Investment costs would be fully tax deductible in the year they are incurred instead of being amortised over a period of years. SMEs will also be given priority in public procurement by local authorities. In line with the programme's assumptions, they are expected to take over 40 per cent of public contracts by volume.

What's next?

The Minister of Development has been given the task of modernizing the economy and to use EU funds to improve the level of innovation across the economy. This is also expected to be a solution to the looming middle income trap. Morawiecki mentions re-industrialization as a key element of his strategy. The focus is intended to be a long term with less concern for short term challenges.

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