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ACTIVITY OF FOREIGN INVESTORS FUNCTIONING ON THE AREAS ENCLOSING KOSTRZYNSKO-SLUBICKA ECONOMIC ZONE AFTER POLISH ACCESSION TO THE EU

Abstract. The main idea of creating special economic zones (SEZ) was struggling for the reduction of structural unemployment in chosen regions of the country through directing there new investments due to the implementation of the package of financial benefits. The goals set were directed to among the others: acceleration of the economic growth of the part of the country through the development of particular domains of business activity, development of new technical and technological solutions and their implementation in the national economy, augmentation of the competition of produced items and given services, creating new workplaces. Nowadays, there are 14 special economic zones in Poland. They differ as far as their surface, localization, character, road, technical and telecommunication infrastructure is concerned. The accession of Poland to the EU and the Accession Treaty concerning the aid given by the government caused the urge to harmonize the rules of the granted aid for the investors in special economic zones. The result of the above is the fact that on the area of the special economic zones there function several groups of the entrepreneurs which are differentiated by the regulations of granted public aid. The implementation of the undertaken activity on the privileged terrains influenced as well the activity of the foreign investors. The aim of the article is to analyze functioning of foreign investors on the terrains involved in Special Economic Zones in lubuskie voivodship after the accession of Poland into the EU.

Key words: Special Economic Zones, Kostrzyńsko-Slubicka Special Economic Zone, foreign direct investments.

1. INTRODUCTION

The evolution of the binding legal regulations in Poland referring to functioning of the enterprises with the share of the foreign capital lead to advanced liberalization of opening the economy for the influx of the capital from abroad. Especially attractive terrains for the foreign investors due to a wide range of concessions and preferences were Special Economic Zones. The investors ready to

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invest their funds in the zone after fulfilling defined conditions (differentiated for every zone, concerning among the others the size of the investment or the employment), gaining the permission to lead the business activity in the zone were able to benefit from a total release from the income taxes for ten further years and a concession of 50% of this tax for ten more years, moreover, benefit from the concession of the estate tax. The accession of Poland to the range of the EU countries forced the adaptation of Polish legal system to the EU one [8]. First and foremost the conditions of public aid were defined and the act of Special Economic Zones was amended. Although SEZ are quite a controversial instrument of regional politics, they are to be treated as a tool (means) that is to contribute to the development of the particular region. As a product of 'central power they shall be properly 'sold' to the foreign investors and through their activity bring benefits to the region (country) (Gluszczak Z., 2001 [p. 34]).

The aim of the following article is to present the activity of the foreign investors being active on the terrains of the Kostrzynsko-Slubicka Special Economic Zone (KSSEZ) after the accession of Poland into the EU.

2. THE AIMS AND ORGANIZATIONAL FRAMEWORK OF SPECIAL ECONOMIC ZONES

The Main idea of creating special economic zones (SEZ) was striving for alleviating the structural unemployment in the chosen regions of the country through directing there new investments due to the implementation of the package of financial incentives (Koscinski P. 2000). The financial incentives were implemented by the act in 1994 and permitted the entrepreneurs having the business activity granted in the zone to:

- fully release the profits from the benefit tax through the period of first 10 years of the business activity,

- 50% through the years to come up to the annihilation of the zone,
- release from the tax of the estate.

The goals of the act were directed to:

- acceleration of the economic growth of the part of the country through the development of the defined domains of business activity,

- development of new technological and technical solutions and their usage in the national economy,

- augmentation of the competition of produced products and provided services,

- arranging of the existing postindustrial wealth and economic infrastructure,

- creating new workplaces or arranging unused natural resources with keeping the ecological balance (Modzelewska-Wachal E., 2000 [5]).

At present there are 14 special economic zones functioning in Poland. They differ as far as the surface, localization, character, conditions of arrangement, road infrastructure, technical and technological one (map 1).

Special Economic Zones (SEZ) are the distinguished administration areas of Poland where the investors can lead business activity on the preferential conditions. The aim of functioning of this instrument is to accelerate the development of the regions through attracting new investments and promotion of creating new vacancies. The rules and conditions of investing in SEZ and benefits stemming from that fact while running business activity there are defined in the Act from 20th of October 1994 about special economic zones (register of acts from 2007 Nr 42, pos. 274 and from 2008 r. nr 118, pos. 746) with the executive bills.

The investors ready to invest their funds in the business activity on the area of the zone after meeting the conditions and after gaining the permission for running the business activity on the area of the zone were able to make use of the concessions and preferences.

The accession to the EU and the statement of the Accession Treaty concerning the aid granted by the country caused the necessity to harmonize the rules of the granted aid in the special economic zones. In the actual legal state on the area of the special economic zones there a couple of groups of entrepreneurs who are differentiated by the rules of providing public aid. The entrepreneurs who had got the permission before 01.01.2001 (Krynska E. 2000 [p.56]):

- minor entrepreneurs keep the right to unlimited releases in the income tax up to 31.12.2011,
- medium entrepreneurs keep the right to unlimited releases in the income tax up to 31.12.2010,
- for the considerable entrepreneurs who had got the permission up to the end of 1999 the maximum public aid amounts to 75% of the investment and for these who got the permission in 2000 – 50% of the costs of investment,
- for the investors from the automotive sector the maximum public aid amounts to 30% of the costs of investment.¹

The entrepreneurs who accepted the following changes implemented by the Treaty by applying to the proper minister of economy for the alternation of the permit (the deadline passed with the day of 31.12.2007) are also granted:

- the possibility to change the conditions of the permit without justification of the causes,
- using the funds accumulated on the account of the Zone Fund for the partial funding of the new investments realized by the tax payer himself or ap-

¹ When setting the admitted public aid a total help is defined on the basis of a more considerable entrepreneur, within the automotive sector got from 01.01.2001.

pointed by him and connected with him by at least 25% in organization or capital company

– in more considerable entrepreneurs the legal release from the estate tax in accordance with the state and rates from 2000 (release from the estate tax and remitting the backlog from the estate tax due for the period from 01.01.2001 is a regional aid because of new investments started after the day of gaining the permit). (Przygocki Z., 2002, [p. 394]).

SPECJALNE STREFY EKONOMICZNE

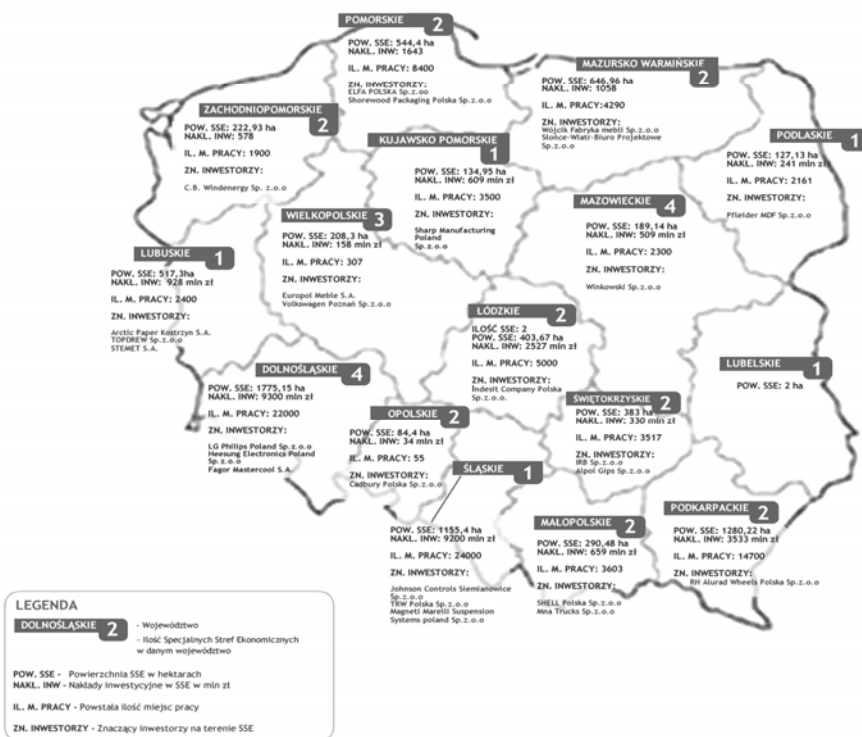
ŁĄCZNIE WSZYSTKIE SPECJALNE STREFY EKONOMICZNE W POLSCE :

Ilość SSE: 14

Powierzchnia: 7965,43 ha

Nakłady inwestycyjne: 31.307 mln zł

Powstała ilość miejsc pracy w SSE: 98.133



Map1 Special Economic Zones in Poland in 2009

Bibliography: www.mg.gov.pl (state for the day: 02.05.2009).

The entrepreneurs who got the permit after 31st of December 2000 have the right to get the income release brought from the business activity run in the zone. The regional aid in tax concessions may be gained on the basis of:

- costs of new investments²,
- creating new vacancies³.

The entrepreneur benefiting from the aid on the basis of new investment is obliged to:

- run the business activity for the period not shorter than 5 years,
- maintaining the items of the property with which the investment costs were connected for 5 years since the day of the registration to the fixed assets and non-material and legal values in comprehension of regulations on the income tax.

The maximum intensity of the aid almost on the entire are of Poland amounts to 50%. The amount of the tax release will amount then in case of more considerable entrepreneurs up to 50% of the value of the investment or two-year costs of salaries gross of newly employed workers. When granting aid to a minor or medium entrepreneur, the maximum intensity of aid is raised by 15% excluding the entrepreneurs running business activity in transport sector. The maximum intensity for the investor from the automotive sector when the amount is bigger than 5 million euro amounts to 30% of the intensity permitted on the following area. Different rules are applied as far as big investment projects are concerned; these are the ones whose costs qualify for the aid higher than 50 million euro. The minimum amount of the investment funds enabling the use of public aid in the special economic zone is 100 000 euro, and the personal share of the entrepreneur has to be 25% of it. The basis for benefiting from the public aid is the permission issued by the Manager of the zone when put in a bid or during negotiations. On the area of the zone one can run the business activity without the permit but the profits from that activity do not apply for the tax release. Taking into account the maximum usage of the institution of zones in order to create new vacancies the Minister's Council made a decision of widening the catalogue of business activities for which the permit is provided by the sector of modern services 'Business Process Offshoring'- services from finance, accountancy of human resources, administration, IT technology and directly connected with the service of outer clients (call centers).

It is also worth mentioning about new initiatives which are to stimulate the development of SEZ. Polish Agency of the Development of Enterprise in 2006

² The extent of aid admitted on the basis of new investment is counted as a multiplication of the maximum intensity of the aid for a particular area and qualified investment costs.

³ The amount of aid admitted on the basis of creating new vacancies is counted as a multiplication of the maximum intensity of aid and two-year costs of salaries gross of newly employed workers enlarged by all the compulsory payments connected with their employment.

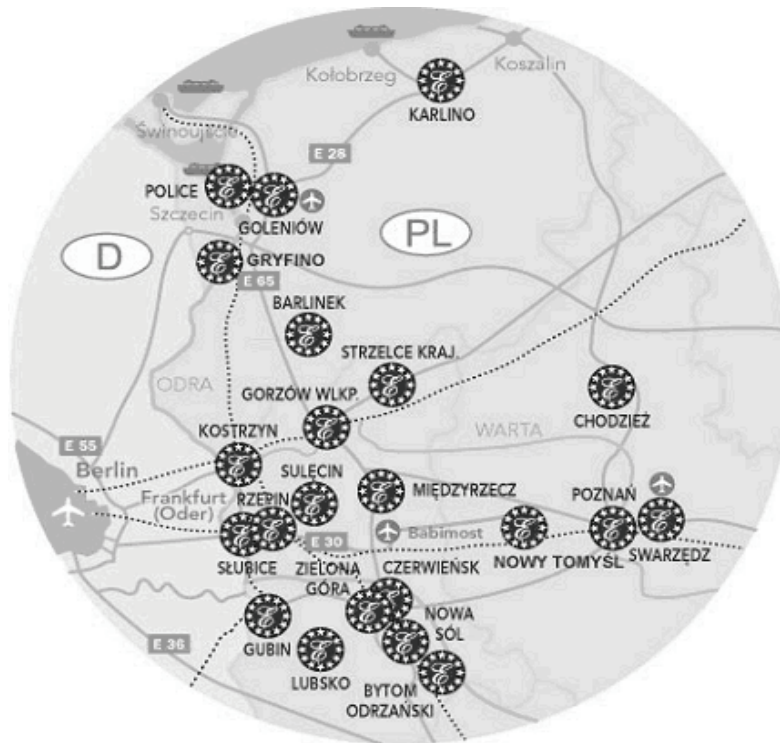
started the preparations for pilot programs fully financed from the budget of the country for groups and techno-starters. This program predicts the support for the business activity in the starting phase of the organization of the enterprise conducting the innovative activity. The program will be realized with the participation of the associated institutions in the National Net of Innovation. Especially important for functioning of the SEZ and industrial parks is the program for the development of industrial groups, sectors, especially technological ones. It ensures financial support in such areas as: internal communication, cooperation, ameliorating qualifications, promotion, internationalization, augmentation of the innovation of groups (purchase: goods, services, new appliances and machines, equipment with instrumentation, office equipment, non-material and legal values), participation in conferences, trainings, fairs and exhibitions [7]⁴.

3. THE EFFECTS OF FUNCTIONING OF KSSEZ

In many countries, including Poland, activating the internal power of the regions has needed different help and intensity from the public authorities. The aim is to create some social and economic basics (enterprise, mobility, professional flexibility and economy etc.) and initiation and development of markets in spots where they exist or disappear, and are needed to realize pragmatically understood growth of the competition of the region (Przygocki P., 2002, [p. 387]). Kostrzynsko-Slubicka Economic Zone is the instrument of the regional policy and at the same time the element of this aid. KSSEZ was founded in 1998, then in the gorzowskie voivodship. The attractive location of the zone at the frontier with Germany, in the zone influenced by the Berlin agglomeration, a developed net of roads and railway connecting the East with the West of Europe were supposed to attract the investors and create an industrial center of a domination of high technology. As a goal of the zone making new workplaces was set due to the creation of a strong industrial center with a significant participation of the advanced technology and providing complex services on the highest level for a selected group of investors. (Byczkowska M., 2004, [p. 284]). Strategic goals enclosed: great reduction of the unemployment, creating a modern center of industry and forming the center of economic cooperation with the countries of the EU (especially the Republic of Germany due to direct border). [10] In 1997 the entire area of the zone amounted to 457, 2716 ha, with two sub zones Kostrzyn 324, 9889 ha and Slubice 132, 2827 ha. In 2008 the terrains of KSSEZ covered the lands of a total surface 1192, 1303 ha placed in the area of the cities:

⁴ In the years 2007-2013 they will be supported by the Operational Program Innovative Economy, undertaking 5.1 'Supporting cooperative connections of beyond-regional meaning'.

Gorzow Wielkopolski, Gubin, Kostrzyn n/O, Nowa Sol and Zielona Gora and the counties: Barlinek, Bytom Odrzanski, Chodziej, Czerwiensk, Goleniow, Gryfino, Gubin, Karlino, Lubsko, Miedzyrzecz, Nowy Tomysl, Police, Przemet, Rzepin, Slubice, Strzelce Krajenskie, Sulecin, Swarzedz i Zielona Gora.[11] (map2).



Map 2 KSSEZ W 2008

Source: www.paiz.gov.pl (for 06.05.2009).

Because of the theme the Authors of the following article presented the effects of functioning of entrepreneurs with the foreign capital on the areas of KSSEZ after the time of the accession of Poland to the EU (2005–2008).

In 2005 the Board of KSSEZ issued 25 permits for the beginning of business activities on the area of the zone. In 2006 the number of the issued zones considerably raised to 26 permits, however in 2007 this amount fell down to 24. More than 4 times more of the permits were issued in 2008. Then the Board of KSSEZ issued 110 of them (figure 1).

The number of the issued permits in the described period does not place the Kostrzynsko- Slubicka Special Economic Zone in the lead of the terrains which were popular among the investors. Nevertheless, the engagement of the board of the association in the amelioration of the infrastructure as well as in the sphere of the marketing and promotion of the zone seem to bring the anticipated effects (4 times more).

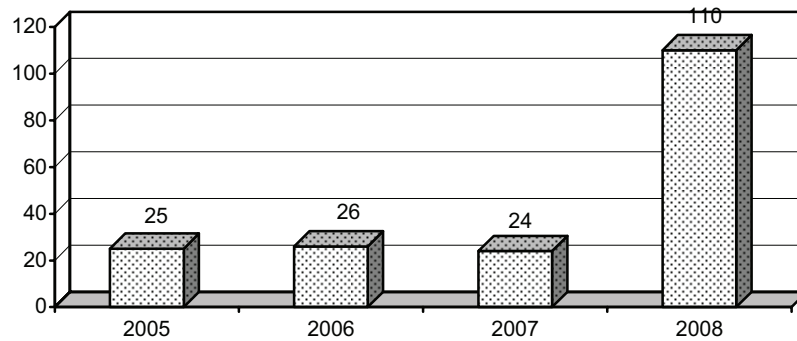


Figure 1. The number of the issued permits issued in KSSEZ in 2005–2008

Source: Information of the realization of the act on SEZ, Ministry of Economy, Warsaw 2008, p. 13.

In connection with the permits for running the business activity on the area of KSSEZ the investors in the researched period made some defined investment expenditures. In 2005 these expenses amounted to 1039,3 million pln, one year later (2006) the investment expenditure of the investors rose by almost half a million pln and were 1500,2 million pln. In 2007 although the number of the issued permits fell down, the expenditure for the investment went up to 2450,4 million pln. A similar situation took place in 2008. In this period of time the augmentation of the issued permits for running the business activity on the area of the zone caused the growth of the investment funds up to 3125,1 million pln (figure 2).

Being active on the area of KSSEZ the investors ensure above 40 thousand workplaces. In 2005 the employment in the enterprises located on the terrains of the zone was given to 7241 people and 4648 kept it. In 2006 10075 people were given the job, 5121 kept it. One year later (2007) 12981 people got the job on the terrains of the zone, 5359 remained. Similarly in 2008 the employment was given to 11157 people and 5289 people remained (figure 3).

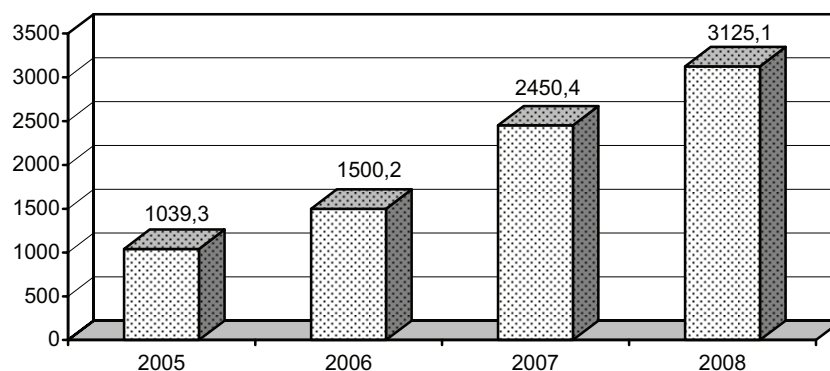


Figure 2. Investment funds on the area of KSSEZ in 2005-2008

Source: Information about the realization of the act on SEZ, Ministry of Economy, Warsaw 2008, p. 15

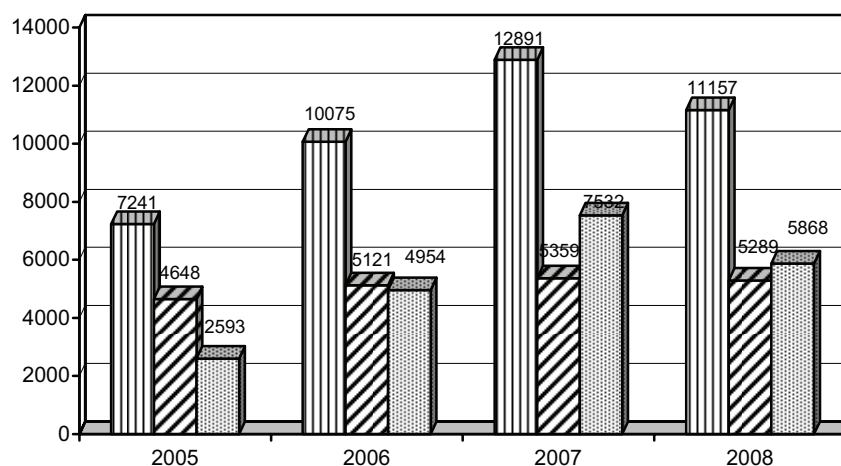


Figure 3. Workplaces on the terrains of KSSEZ in 2005-2008

Source: Information about the realization of the act about SEZ, Ministry of Economy, Warsaw 2008, p. 17.

Analyzing the branch structure one is supposed to point to leading domains of the activity on the terrain of the zone. These are among the others: timber, paper, items from rubber and plastic materials, electronics (figure 4).

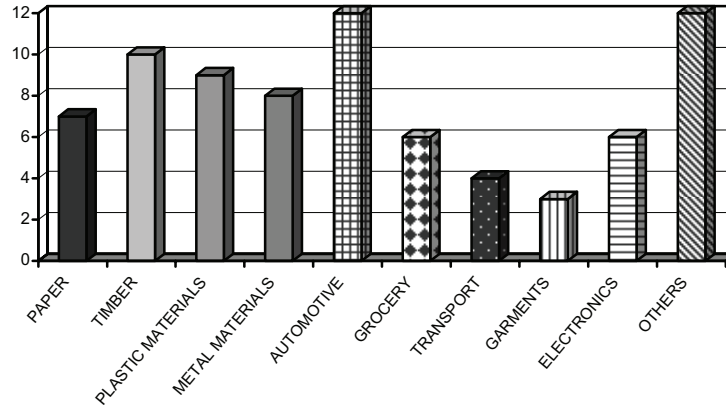


Figure 4. Branch structure of the investments on the area of KSSEZ
 Source: Information of the realization of the act about SEZ, Ministry of Economy, Warsaw 2008, p. 15.

Main investors in KSSEZ are: ICT Poland, Faurecia Gorzow, TPV Displays, Artic Paper Kostrzyn, Volkswagen Poznan, Funai Electric, Europol-Meble, AB Foods Poland, Teleskop. The most considerable participation in the structure on the invested capital has as follows: German capital, Italian, Dutch, Belgian, Spanish, Swedish, French, Danish, Croatian, Estonian, Taiwanese, Japanese (figure 4).

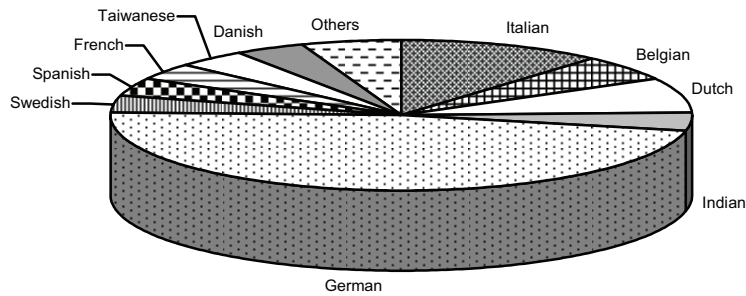
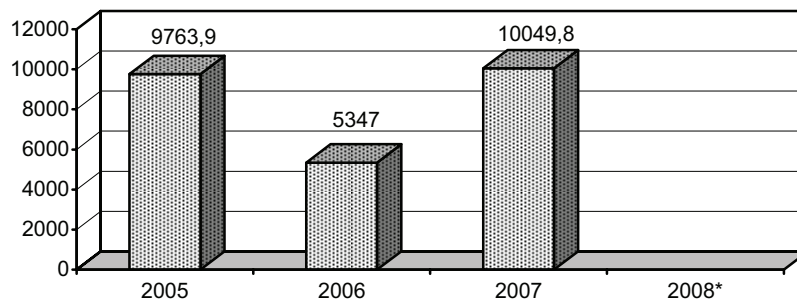


Figure 4. The structure of the invested capital in KSSEZ
 Source: Information about the realization of the act on SEZ, Ministry of Economy, Warsaw 2008, p. 24.

The association managing KSSEZ bases its income mainly on the profits gained from the grounds and administration fees paid by the entrepreneurs being active in the zone. The financial result depends on the influx of the investors in the particular year. In 2005 the management of the board generates the profit of 9763,9 pln. One year later the financial result fell down to the amount of 5347 pln in order to get 10049 pln, 8 in the year 2007 (figure 5).



*lack of data

Figure 5. Financial report of KSSEZ in 2005-2007

Source: Information about the realization of the act on SEZ, Ministry of Economy, Warsaw 2008, p. 25.

The economy was favorable for implementing new investments on the terrains of KSSEZ in the described period. It resulted in the financial outcome generated by the management of the association. In order not to cease a good streak the management has been taking attempts to increase the attractiveness of the directed terrains of KSSEZ. In accordance with the article 8 of the act of SEZ among the tasks of the manager is leading the activities intending to develop the business activity run on the area of the zone. Considering these tasks to be vital the legislator in the article 25 of the act on SEZ permitted the possibility to the income tax release of the legal persons' profits which manages in the expense part for the development aims of the zone. The Ministers' Council in the way of directives enabled all the associations managing the zones to benefit from this convenience. The main goals of the manager are the construction of infrastructure and promoting the area of the zone. More serious enterprises in the range of the infrastructure are usually taken commonly with local governments and the media. The most essential activities undertaken in the research period by KSSEZ were illustrated in the chart 1.

Chart 1: Expenditure on the construction of the infrastructure by the Management KSSEZ in the researched period (in million pln)

Year	Management	Others *	The most important activities
2005	42,7	8,0	Lack of information
2006	49,1	10,2	Construction of the pedestrian- bicycle lane; construction of the internal road KW1 and KW2 with the following infrastructure; construction of the internal road with the following infrastructure in the subzone Gorzow and Nowa Sol, preparing project works based on presenting a Local Spatial Arrangement Plan for Gubin; preparing a technical project of the road with the infrastructure connecting the terrains of the subzone of Nowa Sol with the terrains of the Municipal Area of Economic Activity.
2007	62,0	12,4	Construction of an access road to the plots with the sanitary infrastructure and electricity in the subzone of Kostrzyn, Gorzow and Nowa Sol; construction of the retention tank and the sewage system; construction of the road KN3 in the subzone of Slubice with the infrastructure accompanied by four bus stops; construction of a road with the infrastructure on the allotments in the subzone Nowa Sol.

* others- local government, media

Source: *Information about the realization of the act on SEZ*, Ministry of Economy, Warsaw 2008, p. 33.

Apart from above mentioned tasks, the company management board is devoting heavinesses of funds for promotional measures (e.g. sponsorship of the team of the KSSSE PWSZ basketball Gorzów). In 2006 r. 2, the 19 m zloty stayed allocated for promotional measures, in 2007 r. they increase expensed up to 3.1 m. In this respect KSSSE is on one of the top one spots amongst everyone SEE (2006 – 4 place, 2007 1 place). Expenses on promotional measures were presented in the table No. 6.

To summarize, since 1997, Kostrzyn-Słubicka Special Economic Zone has successfully promoted and supported domestic and foreign investors who create new jobs in industry and services. Zone actively creates policies to promote entrepreneurship by making land available for investors, with full technical infrastructure and offering packages of privileges and tax preferences. Tax benefits dedicated for investments located in Kostrzyn-Słubicka Special Economic Zone are currently one of the main instruments to help and strengthen development of such zones in Poland.

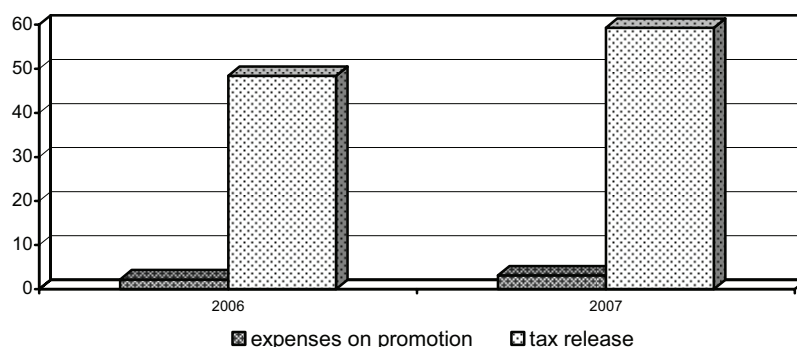


Figure 6. Expenses on the promotion activities of KSSEZ and tax release from which the managers benefited

Source: Information about the realization of the act on SEZ, Ministry of Economy, Warsaw 2008, p. 30.

4. CONCLUSIONS

Special economic zones have been functioning in Poland for a dozen of years or so. Their legitimacy is still one of the controversial themes of politicians and economists. The effects of functioning of SEZ on the range of years are better. The pace of the arrangement of the areas by the associations is also growing. One has to bear in mind however the facts that the zones are not the enterprises working on the conditions of free competition. These are non-profit organizations founded to co-exist and cooperate in the creation of the market. These are first of all important tools of the regional policy. A tool that is supposed to contribute to the activation of the national and foreign investors in taking action on the attractive lands of SEZ.

KSSEZ located in the Western part of the country, enclosing the attractive lands localized in the direct neighborhood with Germany, in the researched period of time:

- issued collectively 185 permits for running the business activity in the zone;
- 40 000 of workplaces have been brought to life;
- in 2007 the entrepreneurs were residing on 496,38 ha of the KSSEZ (6th position on the country);
- investment expenses of the entrepreneurs exceeded 9 million pln;
- on the are of KSSEZ the investors from Germany, Italy, Holland, Belgium and France have been the most active;
- dominating branches are: timber, paper, rubber and plastic materials, electronics;
- mostly the foreign investors are the enterprises utilizing modern technological processes of a high level of innovativeness.

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**AKTYWNOŚĆ INWESTORÓW ZAGRANICZNYCH FUNKCJONUJĄCYCH
NA TERENACH OBJĘTYCH KOSTRZYŃSKO-SŁUBICKĄ SPECJALNĄ STREFĄ
EKONOMICZNĄ PO WEJŚCIU POLSKI DO UE**

Główną ideą tworzenia specjalnych stref ekonomicznych było dążenie do złagodzenia strukturalnego bezrobocia w wybranych regionach kraju poprzez skierowanie tam nowych inwestycji dzięki zastosowaniu pakietu zachęt finansowych. Zachęty finansowe wprowadzone ustawą w 1994 roku uprawniały przedsiębiorców posiadających zezwolenie na działalność w strefie do skorzystania z szeregu ulg i zwolnień. Wynikiem tych decyzji było zwiększenie aktywności inwestorów nie tylko krajowych ale przede wszystkim zagranicznych na terenach objętych SSE. W chwili obecnej na terenie Polski funkcjonuje 14 specjalnych stref ekonomicznych. Różnią się one pod względem powierzchni, lokalizacji, charakteru, warunków zagospodarowania, infrastruktury drogowej, technicznej i telekomunikacyjnej. Kostrzyńsko-Słubicka Specjalna Strefa Ekonomiczna funkcjonująca w zachodniej części kraju, stanowi jeden z atrakcyjniejszych obszarów tej części Polski, czego przejawem jest wzmożona działalność inwestorów zagranicznych na terenach objętych KSSSE.

Słowa kluczowe: Specjalne Strefy Ekonomiczne, Kostrzyńsko-Słubicka Specjalna Strefa Ekonomiczna, bezpośrednie inwestycje zagraniczne.