Wałbrzych Special Economic Zone „INVEST-PARK”, Poland

The Wałbrzych Special Economic Zone «INVEST-PARK» has managed to transform Wałbrzych from an area known mainly as a by-gone hub for heavy industry to an attractive place to invest in, by providing subsidies in the form of tax allowances.

**DESCRIPTION**

- **Location:** Wałbrzych, Poland
- **Type of action:** Industrial park with tax allowances
- **Actors:** Government, private sector
- **Financing conditions:** Private investment with tax allowance
- **Type of coal:** hard coal
- **Region:** intermediate
- **GDP:** above national average
- **Unemployment rate:** below national average
- **Population:** ageing population, decreasing

**KEY POINTS**

**APPROACH**

- Establishment of an industrial park and making the settlement of companies in there more attractive by the exploitation of the special economic zone status of the area that allows to offer investors public aid in the form of income tax exemptions.

**ENABLING CONDITIONS**

- Tax allowances provided by the Polish government.
- Geographical position of interest to foreign investors.
- Highly skilled workers, and good educational institutions and research facilities.

**CHALLENGES**

- The government offers tax allowances only for a limited time.
- Several multinational companies attracted to the region do not follow a business model in line with a low-carbon economy.

**ACHIEVEMENTS**

- Wałbrzych Special Economic Zone has become one of the biggest and economically fastest developing zones in Poland.
- State support schemes for companies wanting to settle in the region are backed by tailored information services.
TAX BENEFITS FOR INVESTMENTS
When entrepreneurs invest within the park, they are eligible to obtain public aid in the form of income tax allowance. The amount of aid is based on the size of the investment, or the number of new work places created thanks to a given investment. The extension of the aid varies from 35-55%, depending on the size of the company and which municipality within the region is being invested in.

Introduction

During the communist era, Wałbrzych, a town in Lower-Silesia, was a significant mining and industrial hot spot in Poland. However, economic restructuring in the 1990s led to a significant decline in regional industry. To counter this trend, the region founded the ‘Invest-park’. The Wałbrzych Special Economic Zone was established by the Polish Council of Ministers in 1997, providing public aid in the form of income tax exemptions for investors (in addition to other encouragements) to make the area more attractive to businesses. The economic zone is located in Lower-Silesia but also extends to neighbouring regions Opolskie, Wielkopolskie and Łużyskie. It consists of 41 subzones. As a result of the dynamic development of the zone, the territory was enlarged along with other subzones in the year 2000. It currently has an area of 221 223 km2.

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The Wałbrzych Special Economic Zone is run by the «INVEST - PARK» limited company, with the main shareholders comprised of the Treasury of State, communes from the subzones, and financing institutions such as banks and Authority Agencies, including the Agency of Industry Development S.A.

Key challenges

The government offers tax allowances only for a limited time (until the end of 2020). It remains to be seen if the regional attractiveness, and therefore the recent prosperity, can be sustained in the long-term and whether investors will still choose Wałbrzych as an investment region without the indirect financial instrument. This is even more challenging as subsidies and low tax revenues represent a burden to public budgets. The profitability of the state support would need to be assessed in the future.

The investment park has managed to attract a number of multinational companies to the region. However, several of them do not follow a business model in line with a low-carbon economy. For example, there are two international automotive industry companies in the INVEST-PARK which face a potentially disruptive transition challenge, as preferences switch from combustion engines to e-mobility. So with a view to long-term economic sustainability, attracting companies that operate in the field of electromobility - and generally with business models in line with low-carbon development - will be a key challenge for the INVEST-PARK.

Enabling conditions

The primary enabling condition for the INVEST-PARK is the tax allowances in the region provided by the Polish government. These allowances ensure lower fixed costs and therefore higher revenues for the settling companies. The requisition of financial support is not limited only to the tax allowance: entrepreneurs can use different sources of public aid, not only the income tax exemption but also European donations, government grants, real estate tax exemptions, etc.
IMPORTANT LEARNING POINTS

• Establishing a Special Economic Zone supported the transition process from a post-industrial area to a region that is attractive for national and international investors.

• This not only kept jobs in the region, but provided «good jobs».

• Enabling conditions include public subsidies (tax reductions) combined with a tailored mix of support activities, such as user-friendly information for investors.

• A high degree of skilled workers in the region combined with strong education and scientific facilities were an important success factor.

• The transition process is not complete, but will continue in the future. New challenges and questions are arising for the region, such as how to keep companies in the region after the subsidy schemes end? How can sectors with high-carbon business models (e.g. automotive industry) be transformed in favour of long-term sustainability (e.g. by attracting specifically companies active in the field of e-mobility).
Platform for Coal Regions in Transition

The Platform for Coal Regions in Transition is an initiative by the European Commission.

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