



## CRUCIAL CONDITIONS FOR MAKING INVESTMENTS IN THE CZĘSTOCHOWA REGION

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**Abstract:** The article focuses on the major aspects of economy development of the Częstochowa region in terms of its activity in Special Economic Zones being regarded as the chance to grow the number of investors in the city and the whole county. The authors present and analyze the factors influencing the level of entrepreneurship in Częstochowa, the issues of employment and crucial aspects of solving the problems of joblessness among the citizens. The aim of the article is to discuss the challenges and chances the region of Częstochowa can face by taking the advantage of its geographical strategic location.

**Keywords:** investing, promoting, city development, management, entrepreneurship, business activity

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### Introduction

For the majority of municipals, the most important issue is to develop the opportunities to attract the investors who will contribute in the economy growth of the city or the whole region, and, consequently, more workplaces will become available, production will increase and improve, and the region itself may convert into more alluring place to live and work. Regions nowadays, should follow the concept of dynamical, constant and creative path focused on growth and development in order to function in a very competitive business environment (Illés, Dunay, Jelonek 2015, p. 48; Schermerhorn 2008, p. 147). This is not just the aspect of individual business management strategy, but the strategy of the city and region which, if opened to investors, innovations and new economy tasks, creates the background for entrepreneurs to advance and expand their businesses. Częstochowa should, therefore, benefit in particular from the geographical location and the opportunities afforded by access to special economic zones in order to increase the level of entrepreneurship and investments. The potential of the environment may influence the economic growth and development of creativeness and productivity of managers and employees in the company (Matejun 2017, p. 25; Lemańska-Majdzik, Okręglicka 2015, p. 394-403). It gives the opportunity and ability to develop effective marketing activities that can translate into the company's success, which, eventually, will be also a success of the city and the region.

## **Special Economic Zones in the Częstochowa region**

The Częstochowa region is located in a strategic location since it crosses the 6<sup>th</sup> trans-European transport corridor and accordingly creates a node connecting important communication routes of importance in the implementation of transport activities on a national and international scale. A part of the implemented strategy for the development of the region is also the separation and preparation of industrial areas designated for the activities of new and existing investors. An important step towards increasing the efficiency of flows is the construction of the city beltway in order to connect investment areas and internal road networks with motorway interchanges. All investment areas in the region include totally 300 ha (Mielczarek, Herbuś, Iżyński 2016, p. 62; Pachura, Zajac, Matlovic 2017, p. 111), and their task is to meet the needs of new and potential investors. Within them, Special Economic Zones (SEZ) are separated.

According to the Polish Act of Law (Published on Oct 20th, 1994 r. about special economic zones (Journal of Laws No. 123 item 600) changed on Feb 14, 2007 r. (Journal of Laws No. 42 item 274)), SEZ is “an uninhabited part of the territory of the Republic of Poland, separated in accordance with the provisions of the Act, on whose territory economic activity may be carried out under the terms of the Act”. The purpose of the functioning of the zones is the phenomenon of synergy resulting from the cooperation of investors operating in individual regions, as a result of which both investors and regions can count on accelerated development. The designation of zones is connected with real public aid for the enterprises operating in it connected with granting the following tax benefits, i.e. (Ruksza, Kapsa 2015, p. 86):

- small enterprises – 45%,
- medium-sized enterprises – 35%,
- large enterprises – 25%.

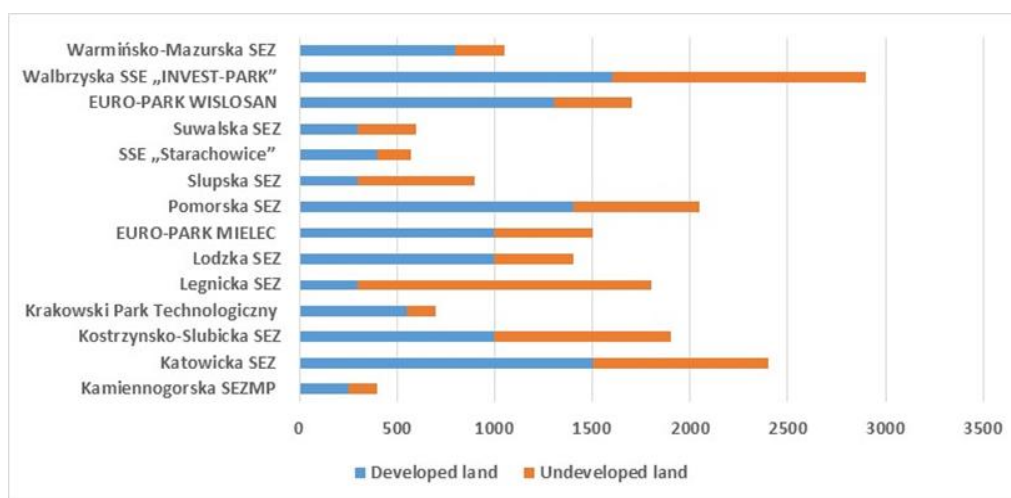
Other benefits of the presence in the Zone are primarily the development of undertaken investments and activities on appropriately prepared, well-developed grounds. SEZ invests both in small and medium-sized companies with foreign capital as well as local family businesses. In order to be able to operate in areas covered by the SEZ, the enterprise must meet the requirements set out in the Act on the SEZ of Katowice and applicable ordinances. The production, logistic, production and service enterprises as well as those that show activity focused on innovation which are particularly desirable in the zone. According to Knop & Brzóška (Knop, Brzóška 2017, p. 87), the level of innovativeness in Poland is rather low and it may cause certain barriers in the development of the country. Therefore, it should be regarded as the challenge for the Polish economy to increase its competitiveness on the global market. The strategies of implementing innovations can help the regions to develop its market positions and competitive potentiality. This might be the main task for SEZs in Poland as the number of them is quite remarkable.

There are currently 14 SEZs operating in Poland: Kamienna Góra SSEM, Katowice SEZ, Kostrzyn-Słubice SEZ, Kraków Technology Park, Legnica SSE,

Łódź SEZ, Euro-Park Mielec, Pomoranie SEZ, Słupsk Special Economic Zone, SEZ “Starachowice”, Suwalska Special Economic Zone, Euro-Park Wisłosan, Wałbrzych Special Economic Zone “Invest-Park” and Warmia and Mazury SEZ (Sikora 2016).

In the area of Częstochowa, there are two of them: the Katowice Special Economic Zone (KSEZ) and the Special Economic Zone Euro-Park Mielec (SEZ Euro-Park Mielec), which occupies an investment area of a total of 70 ha.

In overall, 19 837 ha of land with the zone status were allocated to Poland. *Figure 1* shows the size of areas occupied by particular zones in Poland.



**Figure 1. Areas occupied by particular economic zones in Poland [ha]**

Source: Own study based on (*Investment Potential ...*, 2016, p. 4)

It is observed that the largest area is occupied by the Wałbrzych SEZ “Invest-Park”, the zone of almost 3000 ha. Second place belongs to Katowice SEZ, covering almost 2.5 thousand. ha mainly in the Częstochowa region. The second Euro-Park Mielec operating in the examined SEZ region is located in the middle of the ranking and occupies a total of 1.5 thousand. ha. investment areas. At the same time, local zones still have a large part of undeveloped land, in total for both cases it is still 1.5 thousand. ha. developed areas ready to welcome new investors.

In recent years, the number of entrepreneurs and investors in special economic zones has increased in the Częstochowa region. Many EU investments have been implemented. By 2010, four large domestic enterprises had grown up in the two Zones of the region, and six more decided to start operations there. The resolution of Częstochowa City Council of 19 March 2015 regarding the exemption from taxation of real estate located in special economic zones in the field of regional investment aid to support new investments for innovative entrepreneurs also contributed to the growth of the undertaken investments. Applicable tax breaks have contributed to the creation of new jobs. In 2014, an agreement was also

signed between representatives of both Zones and the Częstochowa Municipality regarding the mutual promotion of the city's investment areas (Matyjaszczyk 2017, p. 5). Selected numerical data on the investments undertaken in particular Zones before and after 2014 are presented below.

**Table 1. Effects of the functioning of companies in SEZ in the Częstochowa region**

Company name	Permission to 2014		Permission after 2014	
	Investment expenditure (incurred) [PLN million]	Number of new vacancies	Investment expenditure (assumed) [PLN million]	Number of new vacancies
TRW Sp. z o.o.	343	656	3,8	245
GST Automotive Safety Poland Sp. z o.o.	89	268	8	12
Retail Service	0	0	2,5	150
X-Kom Sp. z o.o.	0	0	38	40
Hufgard Optolith Bauproduktce Polska Sp. z o.o.	0	0	4	10
ViperPrint Sp. z o.o.	0	0	7,5	15
CGR Polska Sp. z o.o.	0	0	30	22,4
WIKO Sp. z o.o.	0	0	10	11
Enckel Sp. z o.o.	0	0	10	50
LiM Kowolik Sp. jawna	0	0	3,5	14
Total	432	924	109,7	577

Source: Own study based on (Ruksza, Kapsa, 2015 p. 90)

By 2015, in the province there were a total of 10 companies operating in the region, including two Park Mielec belonging to the SEZ Euro (gray fields in the above table) and eight to the KSEZ. Until 2014, only two enterprises showed significant capital expenditures and demand for almost a thousand new employees. After this time, as a result of obtaining a permit, capital expenditures have already borne all the companies, which can be seen in the *Table 1*, thus providing employment to nearly 600 new people. At present, there are thirteen large companies operating in the area of the region.

At the same time, analyzing over a dozen leading investors of all national zones, which incur the greatest investment expenditures on the development of their operations, four of them belong to the Katowice SEZ (*Table 2*). At the same time, no leading investor was identified, which operates in the second zone of the Częstochowa region.

**Table 2. Key investors on the national scale operating in the Katowice Special Economic Zone**

Entrepreneur	Zone	Sector	Source of capital
General Motors Manufacturing Poland	Katowicka	Automotive (cars)	USA
NGK Ceramics Polska	Katowicka	Automotive (diesel engine filters)	Japan
FCA Powertrain Poland	Katowicka	Automotive (engines)	Italy
Electrolux Poland	Walbrzyska i Katowicka	Household appliances	Sweden

Source: Own study based on (*Investment Potential ...*, 2016, p. 5)

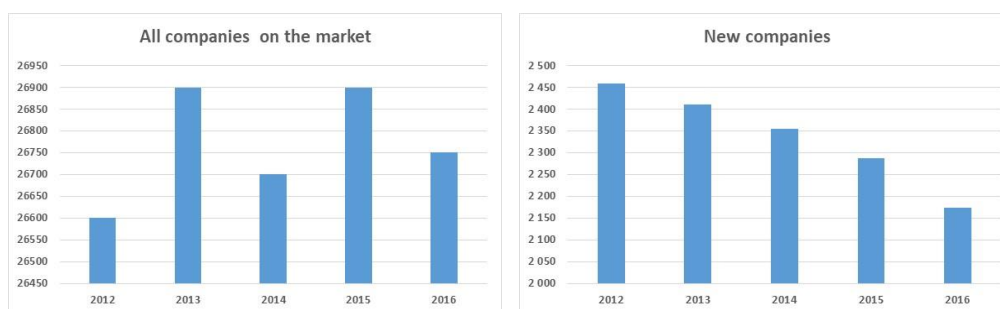
The leaders of Katowice SEZ mostly carry out activities in the automotive industry and have foreign capital of various origins. The creation of this zone initiated the creation of the automotive cluster “Silesia Automotive”. In total, over 260 investors operate in the entire zone (data from the Silesian, Opole and Małopolska voivodeships), which value of the undertaken investments has now exceeded PLN 25 billion.

The Mielec SEZ consists of 28 subzones located mainly in the south-eastern part of Poland, including the Częstochowa region. The zone stands out among the national SEZs with the number of investments undertaken in the aviation industry. The total number of investors in the zone is 185, and their investment outlays currently exceed PLN 8.5 billion.

The Częstochowa region occupies a high place in the classification of investment potential of Polish voivodships. In 2015, he was promoted to the 8th position thanks to the significant activity of entities operating in SEZ (Tarkowski 2015, p. 21). The region's high attractiveness for industrial operations also stems from having other investment areas outside the Zones. The location of zones within the city influences the development of innovation, which is observed in the growth of the region's position in terms of conducting activities in the area of high technologies.

### Supporting entrepreneurship in the Częstochowa region

The created economic zones constitute development potential especially for the SME sector, which is the main driving force of the region. At the end of 2016, according to the REGON system, there were over 26 thousand companies registered in Częstochowa, of which 90% were private sector companies operating mainly in services and trade. The largest number of registered entities were small enterprises employing 0-9 people (95%), entities employing 10-49 people (4%) and employing more than 249 people (1%) (Ruksza, Kapsa 2015, p. 91). The support covers both newly created entities and entities operating on the market. The number of newly established and operating business entities in Częstochowa is shown in *Figure 2*.



**Figure 2. Changes in the number of operating and newly created business entities in Częstochowa in 2012-2016**

Source: [www.stat.gov.pl](http://www.stat.gov.pl)

When analyzing the number of newly created in recent years the number of enterprises in Częstochowa, their regular decline is observed, which may result from the saturation of the market and limited investment opportunities in designated economic zones. At the same time, the number of enterprises operating on the market for a long time also undergoes considerable irregular fluctuations, which is the result of both entries and extracts from the REGON system.

In this situation, various initiatives and projects that stimulate economic activity in the studied region play an important role. In addition to the aforementioned tax reliefs for companies in SEZ, the city authorities also take other active ways to support entrepreneurship, among which one can distinguish, among others, reducing property taxes for employers creating new jobs and building office rooms in an environmentally friendly standard. An important initiative is also the exemption from property tax as part of regional investment aid for the implementation of innovative solutions (Bylok, Łazorko, Cichobłaziński 2011, p. 88).

In addition, according to Regional Development Agency in Częstochowa SA (ARR Czestochowa SA) five major projects supporting companies in the Częstochowa region were undertaken over the last five years:

1. "Development Services Center in the Silesian Voivodship. Support for SMEs and their employees", under which the services for acquiring new knowledge, skills or competences of entrepreneurs and their employees may be financed;
2. "Entrepreneur's Academy" is a project addressed to all entrepreneurs and employees of enterprises, aimed at supporting companies in the field of legal advice;
3. "Breakfast with Entrepreneurs" concerns improvement of communication between entrepreneurs and city authorities by organizing cyclical meetings between them, intended to exchange experience and knowledge in the area of local business development;

4. Loan fund for SMEs – low-interest loans intended for small and medium-sized enterprises, among others, for the purchase of equipment, real estate or raw materials and materials;
5. “Business Academy” is a series of trainings addressed to all entrepreneurs and their managerial staff, whose aim is to increase access to modern knowledge in the field of management and legal issues that entrepreneurs face on a daily basis.

Actions taken by the city authorities will contribute to improving the conditions for running a business, and thus to the city's economic development. The key areas of support include creating places friendly to the development of entrepreneurs, creating favorable financial conditions, cooperation with city authorities, universities and parliamentarians (Nowakowska-Grunt, Wiśniewska-Sałek 2014, p. 783). The main goal of the undertaken activities is to reduce the unemployment level by organizing new and attractive jobs.

### **The problem of unemployment and employment opportunities in the Częstochowa region**

The development of entrepreneurship in the Częstochowa region and the increase in investment definitely translates into the economic situation of the inhabitants. The Częstochowa region has been experiencing a dynamic decline in unemployment in relation to the national average over the last years. This is confirmed by data indicating unambiguously that the number of unemployed persons decreased from 12 232 (indicator 11.2%) at the end of 2014 to 9087 (indicator 8.5%) at the end of 2015, and in the following year – 2016 – occurred further decrease to 6766 (indicator of 6.3%). The first two months of 2017 brought a slight increase to 7.003 people, but this is a cyclical phenomenon related to the winter period. The indicator from 2014 – 11.2% meant 98.2% of the national average; the end of 2015 indicator 8.5% is 86.7% of the national average. At the end of 2016, the average unemployment rate in Poland was 8.6%, in Silesian Voivodeship it was 6.8%, and in Częstochowa 6.3%. This means that for the first time in 15 years, the unemployment rate in Częstochowa is less than the region's average. Despite promising trends, the problem of unemployment is still current and requires more work to initiate opportunities and mobilize residents to take up employment. At the end of 2016, 11 594 unemployed were registered in the data county at the County Labor Office, of which 6766 are specifically residents of Częstochowa, including 3593 women. The low unemployment rate clearly reveals social causes. Among women there is high unemployment in the age groups from 25 to 44 (in total 2004 unemployed, for a total of 3593 women without work). There were only 862 unemployed men in the same age group. A clear advantage of unemployed men can be seen in age groups over 45 years. There is also a large number of long-term unemployed which is 3603 individuals. People with basic vocational and lower education dominate in this group, but also a new phenomenon is revealed: long-term unemployed with higher education. Against this background, the growing problem of the lack of hands to work should be noticed. Not only IT

specialists are sought for, but also qualified construction workers, trade workers or catering services. Despite the measures taken, several more years are needed to achieve greater professional activity of the groups. Opportunities for employment can be seen primarily in the sector of small and medium enterprises. Employees, according to data of the Polish Central Statistical Office (GUS) for 2015, in enterprises employing more than 9 people, were 73.802 at the end of 2015. This means that despite the demographic reduction in the number of inhabitants, for the first time in several years there has been an increase in employment in compared to the previous year 2014, in which there were 70 805 employees in enterprises included in the Central Statistical Office statistics. The largest employment is generated by industry and construction: 27 291, trade: 16 803, services: 25 152, financial and insurance services: 2375. According to the County Labor Office (Jan 16, 2017), the decrease of unemployment in Częstochowa roots in very good situation on the labor market due to several activation activities, implemented both by the Office with the support of social welfare centers, as well as non-governmental organizations, local governments and employers who created new jobs. The large drop in the number of unemployed results also from the cooperation with the local authorities whose aim is coordinate the constant improvement of the investment market which should create new workplaces.

## **Conclusions**

The Częstochowa region is constantly changing, and more and more are being put on the development of the city in terms of expansion investments and improvements that serve the entrepreneurship. For the city and residents it is a chance to improve not only lifestyle but also economic conditions. The main goal of the local government is to stop young people from moving out and make them stay in the city, so that they start their work, their business activities implementing their ideas knowledge and competences. This cannot be done without the business cooperation in the whole region with other cities and without taking the advantage of the geographical location of Częstochowa. Special economic zones give an opportunity for Częstochowa to develop economically and socially as the entire region. The city attractive for investors will create new jobs which will build and strengthen the economic potential for current and future generations to be used for business purposes. The city's development generally translates into the level of entrepreneurship, the attractiveness and competitiveness of the local market and, eventually, the development of all residents. The analysis of the above issues in the article leads to the statement that the programs supporting the city development translate into concrete results such as reduction of unemployment, new employment taking, elimination of social exclusion, production increase and a wider range of business activities. That is why, it is so important to use the potential of the business environment to improve the economic condition of the region.



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## **KLUCZOWE UWARUNKOWANIA PODEJMOWANIA INWESTYCJI W REGIONIE CZĘSTOCHOWSKIM**

**Streszczenie:** Artykuł koncentruje się na głównych aspektach rozwoju gospodarczego regionu częstochowskiego pod kątem jego działalności w specjalnych strefach ekonomicznych, traktowanych jako szansa na zwiększenie liczby inwestorów w mieście i całym powiecie. Przedstawiono i poddano analizie czynniki wpływające na poziom przedsiębiorczości w Częstochowie, kwestie zatrudnienia i kluczowe aspekty rozwiązywania problemów bezrobocia wśród obywateli. Celem artykułu jest omówienie wyzwań i szans, jakie może napotkać region częstochowski poprzez wykorzystanie strategicznego położenia geograficznego.

**Słowa kluczowe:** inwestowanie, promocja, rozwój miasta, zarządzanie, przedsiębiorczość, działalność gospodarcza