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PROMOTION

Bruno Morandi / Robert Harding

Poland
facing the crisis

The current administration has a stimulus plan in place to spur innovation and is taking new steps to deregulate business and slash red tape.

Poland is an exemplary emerging market, and its economy has grown at an annual 5% rate since it joined the European Union in 2004. With robust internal demand and little exposure to toxic securities, Poland largely escaped the turmoil that spread across Central and Eastern Europe.

Recently, however, the global slowdown has caught up with the export-led economy. By February, the Polish złoty had slid 40% against the euro in just six months, creating turbulence in a credit market chiefly denominated by foreign currencies.

Prime Minister Donald Tusk, who came into office in 2007 on a platform of free-market reform, faced down the crisis with determination. A $31 billion stimulus plan will allocate loans to small and medium-sized enterprises (SMEs) and spur innovation. In just one month, scores of laws, including tax rules, were reformulated to deregulate business and slash red tape.

The 2009 budget cut deficit spending by a third to fulfill eurozone entry requirements – a top priority. “Poland has made up its mind to adopt the euro by 2012,” says Tusk. “While some may think it is too early, we strongly believe that the sooner we act the better, so the Polish economy will be more dynamic.”

Meanwhile, Treasury Minister Aleksander Grad is leading an ambitious $3.5 billion privatization program to reduce the number of state-run firms from 740 to 16 by the year 2011. This year alone, 200 companies are destined for the auction block, including the Warsaw Stock Exchange and a slate of chemical and electricity utility firms. “The current crisis is no excuse to halt the privatization process,” says Grad.

— By Adrian Erlinger

Sharpening the competitive edge

With the advantages of high quality and low cost, agricultural exporters are poised to compete in the premium food sector.

"Being a small, traditional and quality food producer, even in the context of globalization, does have its advantages," says Marek Sawicki, minister of agriculture and rural development. "Our fruit growers joke that everyone else grows plastic apples whereas we grow real apples."

While farms in Poland remain small and fragmented, the lack of mass-scale agribusiness limits the use of mineral fertilizers, pesticides and chemicals, giving Poland an edge in the organic market. Having catered to a domestic and regional market for decades, Poland is now beginning to take advantage of its position as one of Europe's leading agricultural exporters.

"Within the framework of the EU Common Agricultural Policy, we are helping producers enhance their competitiveness and enter new markets together," says Sawicki. From January to September 2008, Polish agribusiness sold $9.1 billion worth of food products to the 27-member EU bloc, a market representing 80% of total sales abroad.

Polish agricultural goods still represent only a small percentage of the total global share. While Sawicki admits that American import barriers have prevented access to the U.S. market, Polish exporters are poised to compete in the premium food segment. With the number of certified organic farms steadily on the rise, greater attention is being paid to Poland's competitive edge: high quality and low cost.

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>
> —*Marek Sawicki*

The ministry will showcase the country's natural bounty by participating in the Americas Food and Beverage Show at the Miami Beach Convention Center on November 9 and 10, 2009. ❖

Diversifying the energy mix

Poland is highly dependent on Russian oil and gas imports as well as domestic coal to meet its energy needs. But these days, the nation is crafting an energy strategy geared for sustainability and supply security. Energa, Poland's largest distributor of renewable energy, is on a mission to become a leading electricity producer while diversifying the country's energy mix.

This year, Energa launched a six-year strategy to construct 60 biogas plants, a promising domestic energy source, considering Poland's vast agricultural resources. Scheduled for privatization, Energa welcomes partners to finance an additional 540 biogas plants.

Based in Gdańsk, Energa is also looking for partners to finance $2.5 billion in capital improvements to upgrade capacity at its existing Ostrołęka power plant, construct a second 1,000-megawatt coal-fired plant, and extend its renewables capacity with a hydropower facility on the Vistula River. ❖

Focus on the fundamentals

Building shareholder value is positioning PB Gas as an international player.

In three years, thousands of sports fans from around the globe will converge on Warsaw's National Stadium for the Euro 2012 inaugural soccer championship. This past April, PBG S.A. won a $390 million tender as part of a European consortium to build the 55,000-capacity venue – Poland's most ambitious sports project to date.

Founded in 1997 by entrepreneur Jerzy Wiśniewski, PBG has grown from a small family-owned business to Poland's largest construction firm by market value, with a portfolio ranging from oil and gas extraction and water-sewage management to luxury real estate. Stressing value creation from its inception, PBG sought out public-private partnerships with local governments, extending cooperation with U.S. and Canadian companies and selecting a team of highly qualified engineers.

In 2003, the Poznań-based firm was listed on the Warsaw Stock Exchange, leading to its IPO a year later. The company stresses efficiency and environmental sustainability, and its capital injections for new technologies have enabled PBG to reduce waste, optimize recycling and lower its energy and water consumption.

"We have always been focused on the fundamentals – contracts, people and building shareholder value rather than profit itself," says Wiśniewski. In 2008, the company achieved net sales of $600 million, a 34% rise from the previous year.

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>
> —*Jerzy Wiśniewski*

Wiśniewski anticipates that the global credit crunch will not drastically affect his company's long-term plans. In the face of the current situation, PBG has secured financing well into 2010. "Our spare financing capacity is around $290 million," he says.

Currently, PBG leads a consortium with Italian, French and Czech partners that aims to expand underground storage capabilities for Polish national gas distributor PGNiG by 2011. According to Wiśniewski, the $526 million contract is a crucial project for increasing Poland's energy resources. "The projects we have up our sleeves will definitely help us position PBG as an international player," he notes.

Looking forward, PBG intends to acquire a large international firm in order to diversify its activities. "Three years from now, the time will be ours in terms of cash flow. We will reach a stage of our project development where our cash flows will be the strongest," says Wiśniewski. ❖

All monetary figures are stated in U.S. dollars unless otherwise indicated.

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