

CITY MANAGEMENT DURING THE PROCESS OF ACQUIRING INVESTORS TO MUNICIPALITIES ON THE EXAMPLE OF ŚWIDNICA IN YEARS 2002-2014. ECONOMIC ASPECTS

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Purpose: The process of acquiring investors to municipalities is related with a wide range of criteria. Among them, public authorities play an important role, both at local as well as national level. Appropriate involvement at regional level is the basic determinant of entrepreneurship development. The purpose of this article is to analyse the process of acquiring investors to municipalities on the example of Świdnica.

Design/methodology/approach: Analysis of source material is the main method used in this article. The thematic scope includes activities of the city of Świdnica for the development of entrepreneurship in years 2002-2014. Important aspects are also general investment-friendly criteria in a particular region.

Findings: In this article reports on the city of Świdnica in the field of entrepreneurship were analysed as well as general data related to the Polish economy in years 2002-2014.

Another important factor analysed in this article are the criteria stimulating development of enterprises. Particular initiatives of Wojciech Murdzek, the Mayor of Świdnica, related to the process of acquiring investors were analysed.

Originality/value: The article shows examples of activities of the city of Świdnica related to the development of entrepreneurship in years 2002-2014. The article may be valuable for both managers, investors as well as for people responsible for managing the city at various levels of public administration, in particular for local government officials.

Keywords: Economics, business, local government, investment.

Category of the paper: Research paper.

1. Introduction

Acquiring investors to municipalities is one of the most important aspects of city management. Thanks to this, the municipality can provide basic services related to functioning of the city such as public transport, lighting and order in the city. Also residents have stable employment situation. There are many issues that are crucial for the future of business such as qualified staff, well-developed road infrastructure, right location and also method of managing by local authorities who are responsible for municipalities where large factories and corporations are located.

Over the last twenty years, the influx of investors to Poland as well as to Europe has started. It can be proved by multiple indicators. An example of this might be the report made by Central Statistical Office informing that in 2002 gross domestic product in Poland amounted to PLN 772,2 billion and in 2019 it was PLN 2273,6 billion. Approximately, threefold increase confirms the right direction economic expansion in III RP.

The Government and the Parliament determines the creation of legal regulations and programmes for entrepreneurs in Poland. However, it is necessary to remember the importance of local government in the process of acquiring investors to municipalities. Local communal authorities and officials play an important role in this process. They can stimulate its development through appropriate activities. Their actions may also lead to decrease the amount of enterprises depending on the services provided in the public sector (Kanchana et al., 2013).

This article aims to show the specifics of city management in the aspect of acquiring investors to municipalities on the example of Świdnica. In the paper competencies of local governmental authorities are discussed and specific data related to the process of acquiring investors to municipalities on the example of Świdnica are presented. The time frame of the paper covers the years 2002-2014. This is the period when Wojciech Murdzek (2002-2014) was in charge of city management as a president of Świdnica. These data will be used to assess his work within the indicated period and will also help to define key factors in investment decisions.

In the first part of this paper, investment-friendly factors are discussed. In the second part, information on Świdnica and the most important processes and decisions made by the government of Wojciech Murdzek, the Mayor of the city are presented. In the third and final part strengths and challenges for the coming years of the city of Świdnica are described. All the mentioned data will allow to verification of the thesis about whether Świdnica was well-managed within the context of development and whether the way of city development was exceptional compared to other municipalities in the Lower Silesia region.

2. Factors conducive to the development of entrepreneurship in municipalities

The period after the change of political system in Poland since 1989 is one, if not the most, dynamic time in the history of Polish economic growth. Poles, as a nation are seen as hard-working, loyal and ambitious people. Such an image is based on labour migration that occurred after 2004, when Poland became part of European Union. It was also a time of the opening of the Polish borders to international trade and also enabled development of export of Polish products and resources (CEO World Magazine, 2018). Figure 1 is a confirmation of the scale of development of Polish in recent times.

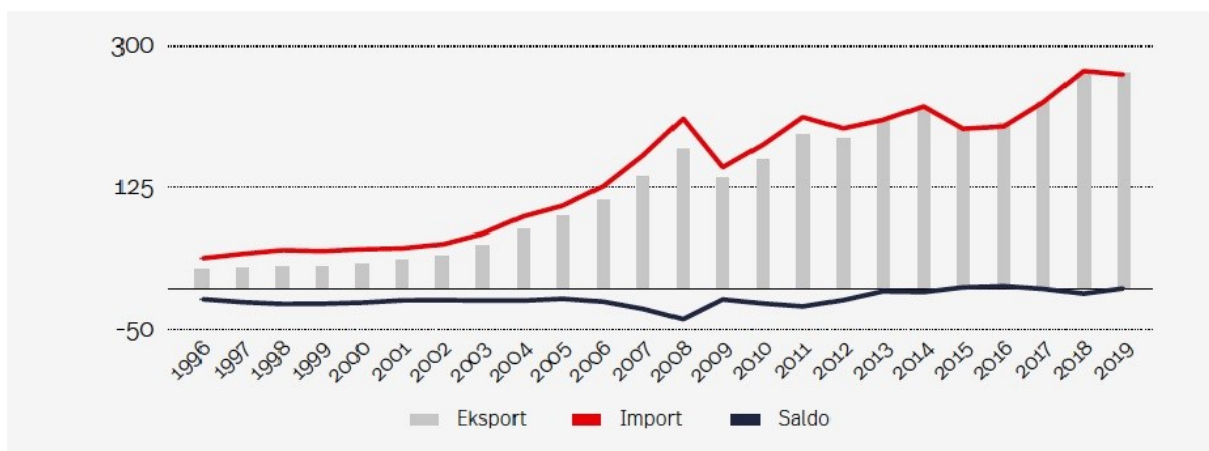


Figure 1. Polish import and export in years 1996-2019 (calculated in billions of dollars). Source: J. Rosa, „Polski eksport w liczbach: 7 wykresów, które pokazują, jak zmienił się handel zagraniczny Polski od lat 90”, <https://300gospodarka.pl/analizy/polski-eksport-pie>, 11.08.2021.

Indicators in Figure 1 show the pace of development of trade and entrepreneurship in Poland. This is an important factor, but not the only one, which may indicate the attractiveness of investing in Poland. Defining investment-friendly factors in particular region is crucial to understand determinants in the process of acquiring investors to municipalities. In the literature there are a number of methods of studying the relevance of individual factors and each of them can be valuable for both researchers of this phenomenon and local government officials involved in attracting investors.

Road and railway infrastructure was among the most frequently mentioned factors for investors, as this is trade-related element crucial for distribution of manufactured goods. Therefore, from municipality's perspective, location, the significance of this region, the proximity of the border or demographic structure are crucial aspects for which local government has no direct impact. Another important factor is appropriate human resources. Without a doubt, this is a very important aspect which is essential for investors when making investment decisions. It is also worth mentioning the economic position of the country and average earnings as another factors taken into account when making business decisions by investors (OECD, 2007). In addition to the mentioned factors that significantly influence the

decision on the investment location in a given municipality there are a number of factors for which the local government is responsible. An example might be the attitude of the broadly understood public sector, officials and public institutions which play an important role in the process of building factories in a given municipality. In fact, much depends on their competencies and commitment. It is therefore necessary for local officials to introduce appropriate standards among employees to competently make contacts and develop cooperation with the private sector. In this respect, it should be noted that the amount of fees and taxes that apply in a given region is also important for investors. The municipal council also has instruments in the form of resolutions of the city council based on which benefits and reliefs for entrepreneurs can be applied (World Bank Group, 2019).

Factors important for investors are presented below. Their author is Wojciech Dziemianowicz (1998) who has been dealing with this issue for years. The key factors that depend on municipal officials were marked in a circle. The experience gained in establishing contacts with entrepreneurs may be helpful in the future due to acquired skills and recommendations from local businesses which are of key importance for potential investors. Technical infrastructure is another major factor which plays an important role in the construction of the factory in a given location. The construction period depends on commitment and willingness to cooperate on the part of municipality, but first of all investor's decision is essential.

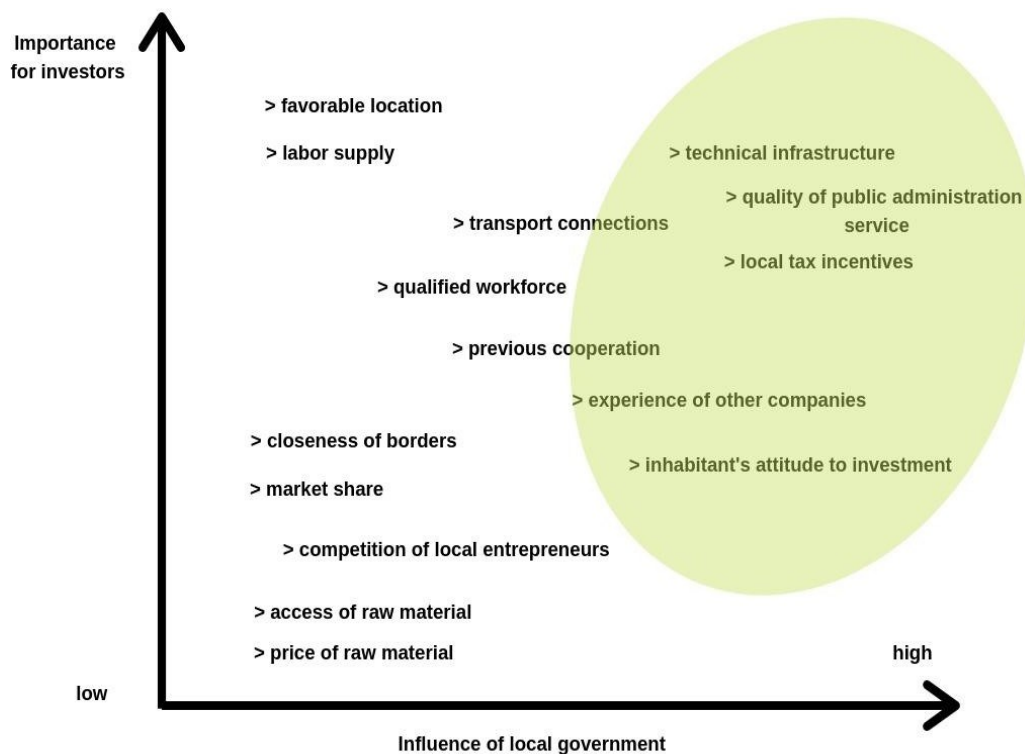


Figure 2. Factors important for investors (Dziemianowicz, 1998; Olesioski, 1998).

Figure 2 indicates two groups of factors that are necessary in the process of acquiring investors to municipalities. The first one is a group of factors that happen in the long-term perspective (more than one mandate), for example, strategic road network or location of municipality in the context markets of potential clients. The second group includes factors that significantly depend on commitment and determination of the Mayor of the city.

3. The city of Świdnica

Świdnica is a city located in Lower Silesia Sudeten Foreland region. In its rich history there are Prussian, German, Czech and Polish influences. In the past, the city was famous for the commerce. The city was built based on German law. Świdnica is connected with larger urban centres such as Wałbrzych - 20 kilometers, Wrocław - 50 kilometers and Legnica - 60 kilometers. The main communication artery of Świdnica is national road number 35 and rail connections. The city is located about 35 kilometers from the border with Czech Republic and about 180 kilometers from the border with Germany. The location of Świdnica is presented in figure 3. The city has close to 58 thousand inhabitants.



Figure 3. Location of Świdnica Source: website of Town Hall in Świdnica.

The city cooperates with partner cities from Czech Republic, Germany, Ukraine, Lithuania, Hungary or the United Kingdom - (Biberach (Germany), Ivano-Frankivsk (Ukraine), Kazinbarcika (Hungary), Police (Czech Republic), Święciański District (Lithuania), Tendring (Great Britain), Trutnov (Czech Republic).

In 2002, Wojciech Murdzek became the mayor of the city. It was the first election after amendment to the Act on administration, based on which the mayor was elected by residents in direct elections. I was a legal competence of the city council before the change. At the beginning of his presidency unemployment was among the main challenges related to the management, the city's level of unemployment stood at 15-20%. Nearly six thousand people did not have permanent employment. Moreover, getting the private sector to expand was the biggest challenge for the municipality at that time. Other neighboring towns such as Dzierżoniów or Żarów experienced similar difficulties. The Wałbrzych Special Economic Zone was key to the development of entrepreneurship in the region. The company looked after various areas for new factories. One of the priorities for Wojciech Murdzek, the mayor of Świdnica was the formation of economic subzone located in Świdnica and its direct neighbourhood. It is worth to mention, that in other regions were similar economic subzones: in Dzierżoniów since 1999 and in Żarów since 2001 (Szymkiewicz, 2019).

The structure of Świdnica's companies in terms of the number of employees was dominated by companies employing between 10 and 49 workers. In 2002 it was 278 of them. It was only 7 the biggest ones that employed more than 250 people (Regon, 2002).

Table 1.

The number of business entities registered in the REGON system in Świdnica 2002-2005

SPECIFICATION	2002	2003	2004	2005
10-49	278	282	283	308
50-249	69	75	71	64
250 and more	7	7	6	6

Source: Raport o stanie przedsiębiorczości w Świdnicy oraz efektywności systemu poszukiwania i wspierania inwestorów, Świdnica 2009, p. 3.

The actions taken contributed to progressive improvement of the labour market situation. During the years 2002-2005 unemployment decreased by 24% from 6461 to 4889 people. First actions of Wojciech Murdzek as the Mayor of the city aimed to strengthen the position of existing enterprises. The city tried to revive the economy through the development of tourism. Among the areas that were the weakest in reports on state of the town in 2004 and 2005 the lack of investment areas for larger companies was mentioned as one of the main issues. Another concern was the lack of employees with specific expertise, for example, employees working with CNC machines (Urząd Miasta Świdnica, 2005).

The year 2004 was a turning point in the process of acquiring investors to Świdnica. At that time, the Council of Ministers decided to form the economic subzone in Świdnica. It was crucial to prepare properly at local level before the decision was made in Warsaw. For this purpose, the City Council of Świdnica adopted *The resolution of the Świdnica City Council XV/170/03 from 30 December 2003* regarding efforts to establish the economic subzone. Initially, the subzone area in Świdnica was 17,5 hectares. With time, however, it was decided to expand the area to 47,5 hectares in 2005 (Uchwała XV/170/03, 2003).

Table 1 shows the area and number of enterprises which were located in the Świdnica Subzone in years 2002-2006. Throughout the first three years of operating it is important to notice huge interest and funds that have been dedicated to development of enterprises and investments in this region.

Table 2.
Subzone Świdnica 2002-2006

Subzone	Year	2004	2005	2006
ŚWIDNICA	Number of permits/decisions issued in a given year	0	4	7
	Employment (status at the end of each year) [number of people]	0	21	484
	Investment expenditures (status at the end of each year) [PLN]	0 zł	20 266 100 zł	338 321 080 zł
	changedate	2004	2005	2006
	surface[ha]	17,50	47,55	106,04
	Degree of development [%]	-	72%	68%

Source: Official data prepared by WSEZ "Invest Park".

In the presidential election in 2006, Wojciech Murdzek was re-elected as the Mayor of the city. It was a time of further actions aimed at improving city's economic situation and developing entrepreneurship. During this mandate was the global financial crisis of 2007-2008.

Among the activities related to the city development that was supposed to impact on inhabitants and entrepreneurs was the decision to build an interchange center and to start the renovation of the railway station. Both strategic investments were aimed at improving the transport conditions in the city, but also in neighbouring municipalities. For this purpose, Świdnica also sought to renovate national road number 35 (Moczulska, 2011).

Another important task was to expand the area of Świdnica Subzone that was intended to development of enterprises. In years 2007-2010 the area was extended by more than 35 hectares. The number of employees has significantly increased, they all found employment in the Świdnica Subzone. It was over 1000 people during that period. The investment expenditures were successively increasing in particular enterprises. The city consistently was seeking to attract new investors which can be confirmed by a number of decisions. The year 2008 was groundbreaking, then it was decided to build 7 factories or companies. The effectiveness of the actions aimed at attracting investors can be confirmed by the fact that in 2010, 94% of special area for investors was used (Urząd Miasta Świdnica, 2008).

Table 3.
Subzone Świdnica 2007-2010

Subzone	year	2007	2008	2009	2010
Świdnica	Number of permits/decisions issued in a given year	0	7	2	1
	Employment(status at the end of each year) [number of people]	1064	1521	1758	2175
	Investment expenditures(status at the end of each year) [PLN]	561 794 463 zł	720 671 547 zł	867 047 906 zł	850 486 395 zł
	change date	2007	2008	2009	2010
	Surface [ha]	149,94	149,94	162,56	183,00
	Degree of development [%]	48%	56%	60%	94%

Source: Official data prepared by WSEZ "Invest Park.

Table 3 shows a list of registered companies in the city. Bringing two companies employing over 250 people was a huge success. The number of companies employing from 10 to 49 people also was increasing.

Table 4.
The number of business entities registered in the REGON system with number of employees in Świdnica

SPECIFICATION	2005	2006	2007	2008	2009
10-49	308	303	304	313	313
50-249	64	65	65	65	63
250 and more	6	6	6	8	8

Source: Raport o stanie przedsiębiorczości w Świdnicy oraz efektywności systemu poszukiwania i wspierania inwestorów, Świdnica, 2009, p. 8.

In the next term, Wojciech Murdzek was the Mayor of the City until 2014. The economic situation during this period changed radically. Unemployment was successively decreasing. The number of new enterprises and factories was increasing in the city. This was an important factor for the city that provided budgetary resources to current city management. The graph presented below shows the growth of tax revenue PIT and CIT, which were directly related to income of the residents of Świdnica. Since 2012 an upward trend in personal income tax PIT is clearly visible. This is a consequence of the current economic policies in the city. Similarly, income from the CIT tax increased significantly. Although, the growth period falls on 2016, when the next Mayor was in charge, but the measure is a consequence of previously developed strategy for Świdnica (Urząd Miasta Świdnica, 2017).

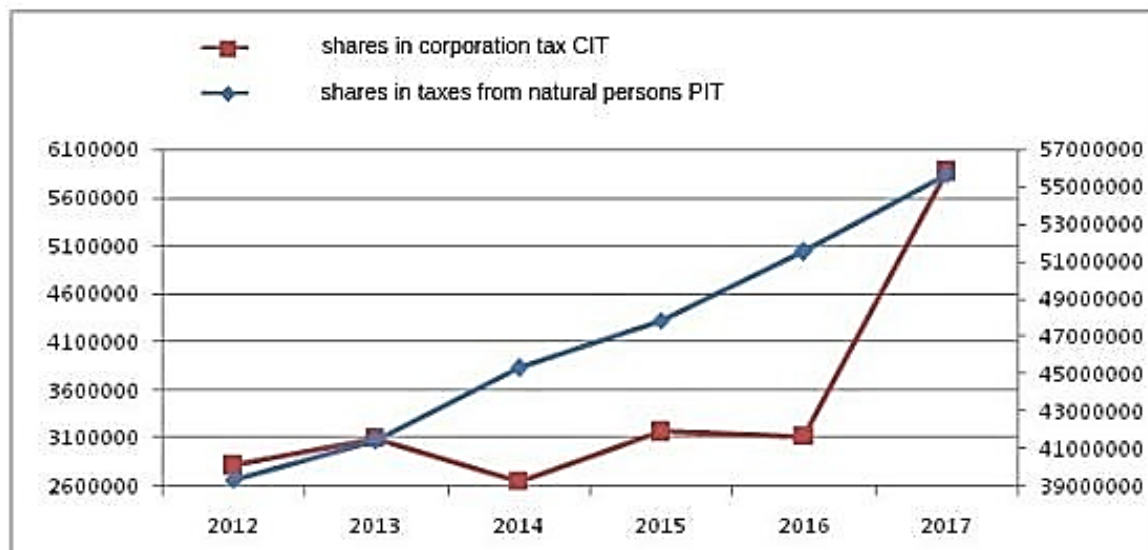


Figure 4. Share in taxes (PIT AND CIT). Source: Report on the condition of entrepreneurship in Świdnica 2017, Świdnica 2018, p. 12.

It is also worth mentioning the examples of further actions related to the improvement of road infrastructure in the city and the surrounding area. For this purpose, local and voivodeship authorities played an important role for this reason the cooperation between these institutions was extremely important. The works associated with planning and building district road number 3396D begun in 2011. It was a distance linking the voivodeship road number 383 and the country road number 35. This investment was strategic for convenient connection to the motorway A4. As a result, there should be improvement of communication in the region. The total investment cost amounts to 110 million and Świdnica has provided almost PLN 8 million. This solution enabled transport connections with the express road. At the same time this was meant to redirect transit traffic outside the city of Świdnica.

The investment areas in Świdnica and surroundings were later expanded. It was over 167 hectares in 2014. This resulted in further decisions made by investors. In years 2011-2014 10 decisions were made to build the factory. The number of employees in the economic subzone was constantly increasing, it was almost 2700 people in 2014.

Table 5.
Subzone Świdnica 2011-2014

Subzone	year	2011	2012	2013	2014
Świdnica	Number of permits/decisions issued in a given year	2	2	3	3
	Employment(status at the end of each year) [number of people]	2324	2382	2566	2689
	Investment expenditures (status at the end of each year) [PLN]	891 733 465 zł	962 195 713 zł	1 083 319 534 zł	1 215 913 179 zł
	change date	2011	2012	2013	2014
	surface[ha]	159,88	159,81	159,81	167,74
	Degree of development [%]	73%	73%	73%	69%

Source: Official data prepared by WSEZ "Invest Park".

Adopting spatial development plans in the city was particularly important task. A separate legal act regulated the possibility of building in particular parts of the city, what was well received by residents and entrepreneurs because of transparent use a given area. From business owner's point of view it was also important due to the evaluation of a possibility expansion of investments in the future .

4. Challenges for the future

Świdnica is a city in a good economic situation and position in a region in terms of cooperation with investors. The vast experience of council workers is the basis for further development in this field. Further expanding of investment areas is one of the main challenges. At the same time, the difficulty is having multiple small investment plots which constitute a barrier for larger entrepreneurs. The construction of expressway S5 and S3 is essential for increasing economic potential of Świdnica and its region as it might be attracting factor for investors. Demography issue and the depopulation of smaller cities is a challenge for Świdnica and the whole country. Young residents, often well-educated decide to migrate to larger, for instance, to Wrocław or Warsaw. This is a serious challenge for the city authorities. The following data confirm the importance of this aspect for the city. Birth and death rates in years 2002 – 2013 in Świdnica should be taken into account within the context of demography demographic aspect, because they have huge implications on the entire economic sector.

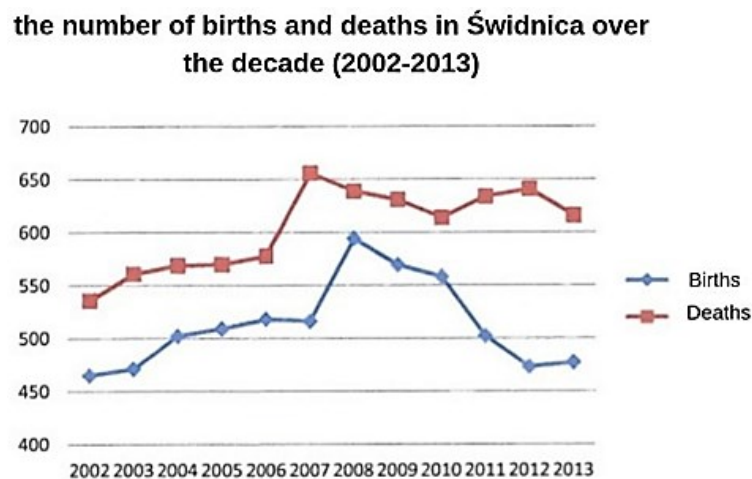


Figure 5. Ranks of births and deaths in Świdnica (2002-2013).

Table 6.*Demographic forecast for the municipalities of Lower Silesia until 2035 year (Świdnica)*

Age	2020	2025	2030	2035
Pre-production	8422	7853	6852	6044
Inorking	32226	29572	27778	25659
Post-production	15360	15834	15466	14833
Altogether	56008	53259	50096	46536

Source: Demographic forecast for the municipalities of Lower Silesia until 2035 year, IRT, Wrocław 2014.

5. Conclusion

Summarizing the efforts of Wojciech Murdzek regarding city management and actions taken to attract investors to municipalities in years 2002-2014 they should be assessed as thoughtful and efficient. It was a key challenge for the city of Świdnica which enabled the further development and raising additional funds. The basis of these actions was a huge unemployment which stood at 24% of all residents of Świdnica. The city has good perspectives for development after this period. It can be proved by the assessment of Świdnica in comparison with other municipalities from Lower Silesia by H. Godlewska-Majkowska in view of investment potential. The city of Świdnica is marked in darker green in the graphic below which means that Świdnica is among the most successful and effective municipalities in terms of acquiring investors to municipalities. The assessment can be a summary of the developed strategy and standards by Wojciech Murdzek, the Mayor of the Świdnica (Godlewska, 2017).

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