

# Report on major Polish cities



# Kraków

# Table of Contents

3	Introduction
4	Methodology
7	Essential recommendations
10	People
14	Quality of life
18	Image
22	Institutions
26	Infrastructure
30	Finances
34	Investments
38	Contact



Throughout decades Polish cities struggled with the lack of financial means, unfavorable conditions for development, and legal regulations hampering local activity and people's entrepreneurship. The cities' inhabitants could only enviously watch the metropolises of the Western Europe, actively seeking solutions to their own problems and ways to improve quality of life of local communities. Until lately all initiatives taken by Polish cities had little chance of changing the appearance of the largest cities in our country.

Today we watch the situation change. In the last few years some events took place that created favorable conditions for breakthrough transformation in Polish cities: effective reforms that sparked off citizens' vigor, new legal solutions which turned self-government authorities into true managers of their own establishments, and the accession to the European Union. But it is only the European Union funds available since 2007 that truly open a new chapter, because they eliminate the problem of the lack of funds as the main obstacle to Polish cities' growth.

Meanwhile there is another challenge – to pinpoint strengths and weaknesses of the cities and to choose an optimal strategy aiming to make up for what was neglected in the past as quickly as possible. Such a well thought-out assessment is indispensable in order to forge the great opportunity facing Polish cities into a true success.

While analyzing the situation of major metropolitan centers in Poland on the threshold of breakthrough changes, one has to remember that the potential for growth with which cities enter the new stage of development derives from three elements:

- historical legacy,
- natural assets and weaknesses of a given city,
- quality of management in the last dozen years.

PricewaterhouseCoopers created reports on seven major cities of Poland to aid in the proper diagnosis of the situation. This is a kind of an “opening report” – the first general view of the potential for development of these cities, from which some preliminary observations and conclusions can be drawn. This is not a ranking of cities – there are too many differences between them in terms of their historical legacy and peculiar local strengths and weaknesses for such a comparison to be useful. Rankings and comparisons, especially in terms of quality of city management, will make sense in a few years' time, when we are able to evaluate how cities planned their development and how they made use of the significant European Union funds available in 2007-2013.

The analysis is based on seven areas – “capitals”, which, in our opinion, determine the development potential of large cities. We believe that this analysis might help to put finishing touches on the existing strategies of cities – thus contributing to the success that major cities of Poland deserve.



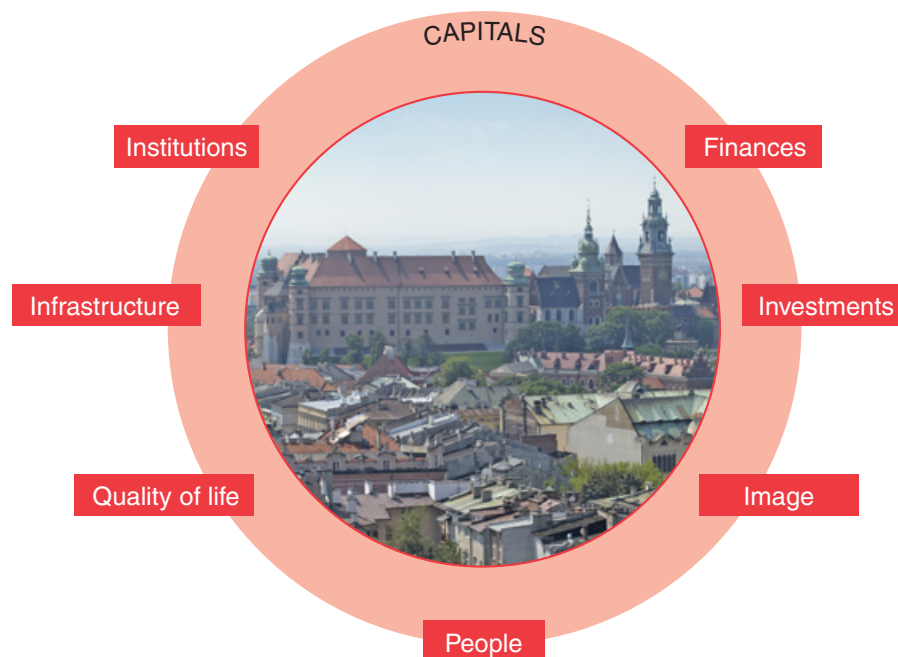
# Methodology

## Seven capitals of Polish cities

While taking the path leading to great changes, Polish cities already have some development capital at their disposal. This capital is significant, even though there is hardly any field that is not suffering from serious neglect. To a large extent, development capital is a result of past events. The goal of this report is to analyze this capital – the peculiar dowry ready for use by Polish cities on the threshold of dynamic development.

Development potential of Polish cities is measured on the basis of a methodology developed by PricewaterhouseCoopers and used to evaluate the situation of large cities. This methodology is based on the belief that in order to ensure harmonious growth it is necessary to have some suitable assets, sometimes called “capitals” of cities.

By „Capital” we usually mean financial means that can be used to finance investments. Modern economy, however, uses the word in a much broader sense – it applies not only to money, but also to people’s qualifications (human capital) or their knowledge and experience. Broadly speaking, capital encompasses all resources that are essential for growth: financial, material, human, and even those that exist in people’s minds (after all, we even colloquially talk about “capital of trust”). The common characteristic of capitals is that in order to develop them, they need to be constantly invested in.





While analyzing the development potential of Polish cities, we use the concept of 7 capitals, each of which is important for the development of a large city:

- Human and Social capital determines the quality of human resources owned by the city. This includes, among other things, knowledge and experience of workers, population structure (cities with ageing population have less development dynamics than “young” cities), the job market situation, social activity of inhabitants.
- Culture and Image Capital shows how the city is perceived: whether as an interesting and attractive place, or perhaps a cultural desert. The better image, the easier it is to attract tourists and investors and to stimulate activity among the city’s inhabitants.
- Quality of Life Capital describes the living and working conditions offered by the city. This capital is comprised of, among other things, environmental conditions, quality of healthcare, quality of educational institutions, and sense of security.
- Technical and Infrastructural Capital describes the broadly understood infrastructure of the city: housing resources, transport, shopping centers, media (traditional ones such as power and water, but also phones and the Internet).
- Institutional and Democratic Capital shows the effectiveness of municipal institutions (authorities and administration) and the observed social activity.
- Attractiveness for Investments Capital indicates how attractive the city is for investors, both domestic and foreign.
- Sources of Funding Capital describes to what extent the city is able to find the money necessary for funding its development.

A city with high development capital is a city with all 7 capitals well-developed. If one of the capitals is lacking, this signals a weakness of the city and points in the direction of desired strategic actions to be taken.

During the research the report’s authors consulted the authorities of all examined cities, presenting them with preliminary results of the analysis. The observations gathered from particular cities allowed us to select the set of indicators in a more precise and correct way, eliminate errors in measurement and focus more on the peculiarities of specific cities. In case of two cities – Gdańsk and Katowice – while creating the measurement criteria, we attempted to take into consideration as much as possible the fact that these cities form a part of larger agglomeration organisms (the Tricity and the Silesian agglomeration).

The report is based on the analysis of comparable data. This data comes from 2005-2007, while the report’s authors did their best to include the latest data available for all 7 cities.

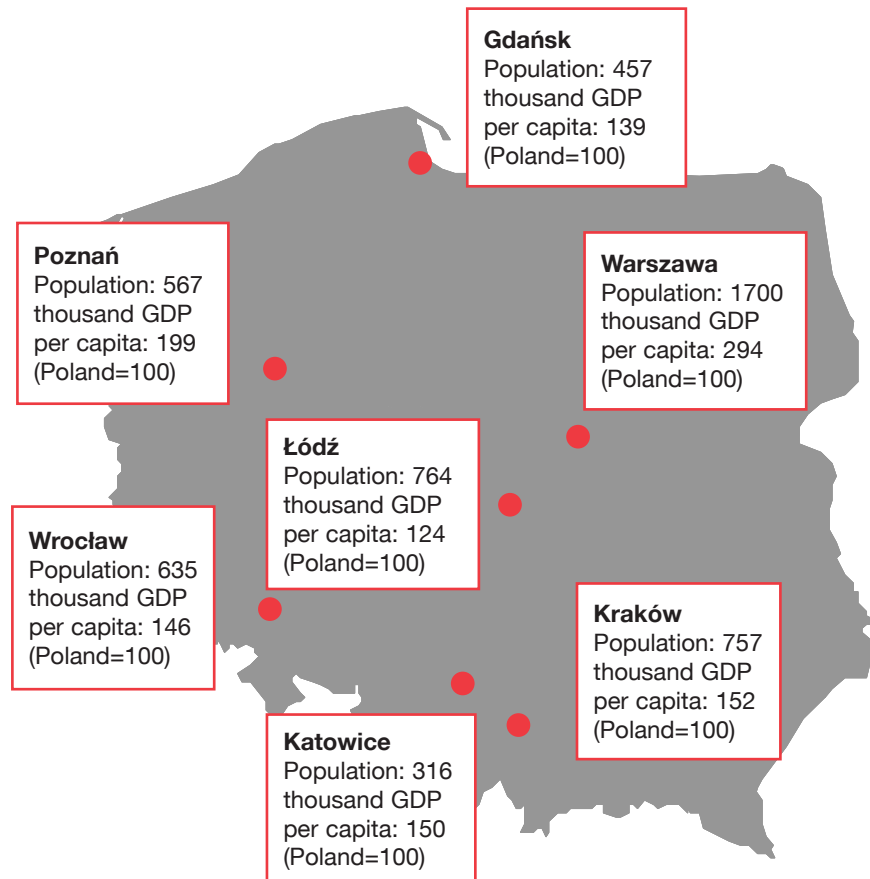




# Methodology

## Basic data concerning cities

Population data from late 2006, data on GDP from 2004. GDP values for Katowice are approximate.



## How to read the spider diagram?

The spider diagram allows us to analyze the city's capital in several areas at the same time: the more areas there are, the greater the number of axes on which we accumulate indicator values describing the size of the city's capital. The connected dots on axes form a shape – triangle, square, pentagon, or heptagon (the number of vertices of the shape is equal to the number of axes).

The diagram shows the development of the analyzed city's capital (the red-marked field) and the development of capitals of all 7 major Polish cities (the grey-marked field).

While analyzing the diagram, we should take the following into account:

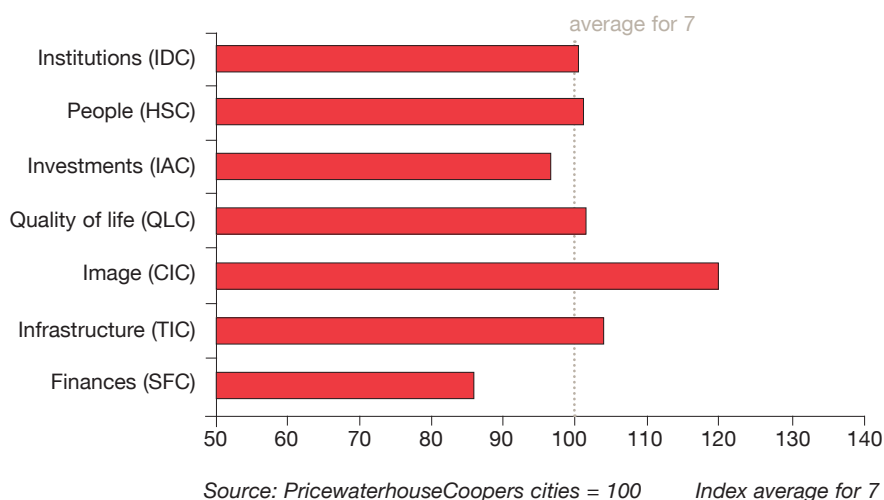
- Size of the marked area – the larger the area, the higher the capital level.
- Shape – the more even it is, the more evenly the particular measured capitals develop. „Elongation” of the shape in any direction suggests that this field of the capital is more developed than the average, “retraction” of vertices means that this field's development is inadequate.

# Essential recommendations



## Kraków: *The old jewel needs a better setting*

**Kraków – overall evaluation of the development of 7 capitals**



### Where to find an example?

#### Amsterdam

The city whose growth is based on high human capital, advanced market-related services and attractive image.

#### Bilbao

The city that makes excellent use of European funds for financing development.

Kraków's development potential is unevenly distributed. The city's main asset is its excellent image – of an attractive place with a high quality of life, superb intellectual and cultural potential and high quality of life. This is further improved by the relatively efficient municipal institutions and well-developed (under Polish conditions) infrastructure. On the other hand, many of the capitals remain insufficiently developed: despite the excellent education, the supply of highly-qualified workers is limited, which results in tensions appearing in the job market. The environmental condition is lower than the average among the compared cities, while the finances are burdened with high debts. The above does not pose any danger to the city's financial stability, which is confirmed by the high ratings awarded to the city by rating agencies. However, the problems in this respect limit further loan-raising options and force the city to seek other forms of funding. Kraków's problems can all be solved, but this requires a consistent development strategy.

### Greatest strengths:

- Excellent image and high attractiveness for tourists
- High cultural and social potential
- Good infrastructure and communication with the world
- Superb educational institutions

### Problems to solve:

- Funding development with significant debt
- Limited supply of qualified workers
- Bad environmental condition







# Kraków







# People

## Why do we measure Human and Social Capital?

People are the most important and most precious resource, determining the development opportunities of the city. Today one can buy almost anything: hire an advertising agency that will promote the city, find investors who will pay for the development of infrastructure, build an efficient administration and develop an Internet system for dealing with the citizens' needs. But people are irreplaceable: their skills, eagerness for work, and their social and economic activity. In the long run it is people – and more broadly speaking, Human and Social Capital, that is the set of characteristics which determine

the value of the city's human resources – that shape the economic development and the potential success of the city.

The value of human resources depends on numerous factors. Some of them can be only influenced to a minor extent (e.g. population structure). Neither can one force people into taking up economic and social activity – although people can be encouraged and any related initiatives can be facilitated. But in some areas – e.g. education or job market – the city's authorities are capable of exerting a significant influence.

## Measuring Human and Social Capital (HSC)

Human and Social Capital is a synthetic measure of the value of human resources owned by the city – citizens' demographic characteristics, qualifications, activity and availability for potential employers. In our opinion there are five characteristics crucial for successful development: population, education, attitude towards market economy, functioning of the job market, and social and non-governmental activity.

### HSC: population

The city's population situation is primarily determined by the age structure and the number of births. A synthetic measure of the situation is the demographic load indicator, which shows the number of young and older people per 1 working-age person – in other words, how many people a single person has to support on average.

According to the assumed methodology, the basic indicators used for measuring HSC in terms of population are the following: demographic load indicator, share of older people in a city's population and the number of births per 1000 inhabitants.

Kraków's demographic situation is better than Poland's average. The demographic load indicator is 0.51 (which means that there is a little more than one younger or older person per 2 working-age persons). The percentage of post-working age people is one of the lower (17.4%), whereas the birth indicator is a little below average among the 7 examined cities (8.8 children per 1000 inhabitants).

With the average HSC level of 100 in terms of population for the 7 compared cities, HSC in Kraków is estimated at 102.

## HSC: education

In modern economy it is qualifications that decide about the quality of human resources. In order to measure it, we need to analyze the average level of people's education: the better education, the more attractive the city becomes for investing and running business.

In our methodology the indicators used for measuring HSC in terms of education include the following: the percentage of people with higher and secondary education and the number of students of universities per 1000 inhabitants.

Kraków's situation in terms of people's education is very good compared to the 7 examined cities. The percentage of people with higher education is 21%, compared to the average of 20% in the other six cities. Also the secondary education indicator is higher than the average for the 7 examined cities. The proportion of the number of students to the number of the city's inhabitants (20%) is one of the highest among the examined cities.

With the average level of 100 for the 7 cities, HSC in Kraków in terms of education equals 108.

## HSC: attitude to market economy

The prospects for development are also influenced by the people's attitude to market economy – in places where people accept the market rules to a greater extent, it is easier for them to adapt to the market, they are more active and achieve greater economic success.

The primary indicators used to measure HSC in this regard are the following: the support for Poland's membership in the European Union expressed in the 2003 referendum and the registered percentage of people running businesses.

Kraków's situation in this respect is good. The support for Poland's membership in the European Union was slightly lower than the average for the 7 cities and amounted to 82.6% (in the other examined cities this ranged from 81.5 to 87.8%). The percentage of people running their own business is 10% and is comparable to the average for the 7 cities.

With the average level of 100 for the 7 cities, HSC in Kraków in terms of pro-market attitude is 98.







# People

## HSC: job market

The job market situation, from the point of view of the city's prospects for development translates into, first of all, the availability of workers possessing skills sought by employers.

HSC in terms of the job market is usually measured by looking at the pay level and unemployment rate (the higher, the easier it is to find employees). This measure, however, often fails in Poland, due to, among other

things, the commonly functioning gray area. Due to the above, we made use of some auxiliary information: the nominal wages dynamics (higher dynamics means increased trouble with finding employees) and information about job offers. Moreover, we also took into account the availability of qualified workers, measured by the number of university graduates of technical and exact sciences.

Kraków's job market situation is difficult for investors. The unemployment rate is lower than the average (5.6%), while the wages increase dynamic observed in 2003-2006 (14%) is high, which, accompanied by a very high number of job offers per 1000 inhabitants, suggests that the availability of highly-qualified workers is highly limited. The high increase in wages is, obviously, beneficial for the citizens, increasing their purchasing power, and, consequently, the city's attractiveness as a market. The level of pay is still relatively low, while the availability of workers with education in technical and exact sciences is the best among the examined cities.

The overall HSC assessment in terms of the job market is good. With the average level of 100 for the 7 cities, HSC in Kraków is 99.

## HSC: social activity

High social activity means that the given city has a large social capital – people are ready for doing things for a mutual benefit.

HSC in terms of the society's activity is measured by analyzing online sources and

the number of non-governmental organizations registered in the city, as well as the average election attendance (the 2005 parliamentary elections, the first round of the 2006 self-governmental elections and the first round of the 2006 presidential elections).

Social activity in Kraków is not very high - there are slightly more than 4 organizations registered per 1000 inhabitants, while the average number in the other major Polish cities is close to 5. Also, these organizations' activity on the Internet is relatively low. The average attendance in the 2005/2006 elections was 51 %, which is close to the average for the 7 examined cities.

With the average level of 100 for the 7 cities, HSC in Kraków in this respect is 97.

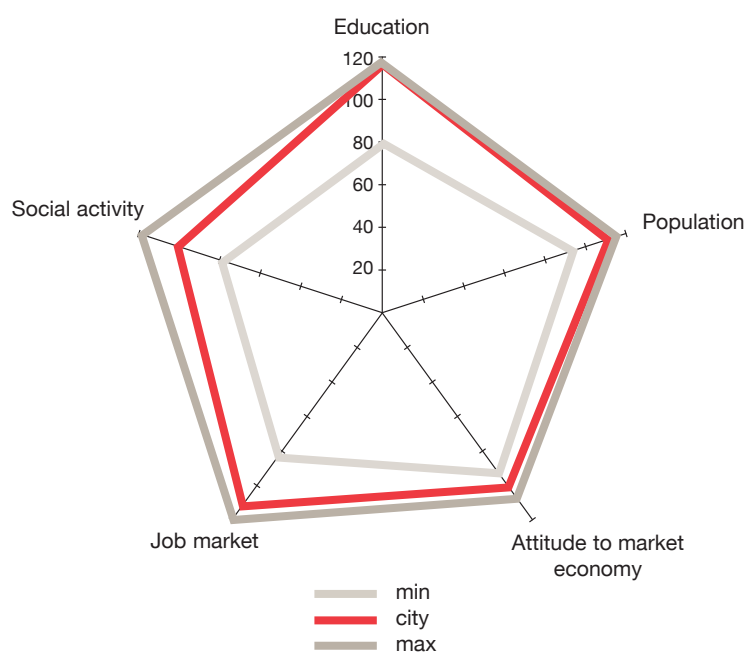
# Kraków's Human and Social Capital

With the average level of 100 for the 7 cities, Kraków's Human and Social Capital amounts to 101.

Although Kraków's Human and Social Capital is high, some phenomena observed in the city may be a reason for concern. The city has a good situation in terms of population and very high - one of the best in Poland - education indicator. In the long run, however, some problems may be caused by the job market situation (the availability of qualified workers or the degree to which they fit in the current needs of the market). If the authorities take relevant measures, Kraków, taking advantage of its assets resulting from the high quality of life and the good image, could ensure a supply of desired personnel from other cities in a relatively easy way.

Development is needed in terms of non-governmental activity and strengthening of the citizens' pro-market attitude. The city's authorities should pay attention to supporting non-governmental organizations and economics education, also by intensifying their initiatives for acquiring EU funds for the development of entrepreneurship.

People – Kraków



## Where to find inspiration?

### Paris

Paris is distinguished by educational opportunities (the Sorbonne University, the University of France, the Denis Diderot University, the Institute of Political Sciences, the Administration University), as well as qualified labor force. The number of students in Paris is slightly below 290 thousand. In the Cushman & Wakefield ranking the city comes second after London in terms of the number of adequately educated workers and easy access to the client market. Paris is also second in the above-mentioned ranking of attractiveness for locating business. Paris's business attractiveness results in high chance of finding workers. Both housing and healthcare are developed enough to cover the needs of such a large metropolis.



# Quality of life

## Why do we measure Quality of Life Capital?

A city that wants to achieve economic success has to create good living conditions for its citizens. A high quality of life results in people wanting to live and work there, sought-after specialists reject proposals to move to other domestic or foreign cities, and investors willingly locate their business in the city. A high quality of life gives people a sense of pride and satisfaction drawn from living in the city, while low quality of life breeds disappointment and frustration.

There are many factors influencing the assessment of quality of life in the city. An important thing is the condition of the environment; another is the availability of high-quality services, such as healthcare or education that the citizens can rely on. A crucial point is the sense of security – if people do not have it, even the most magnificent entertainment centers and the best services that can be offered cannot make people really happy.

## Measuring Quality of Life Capital (QLC)

Quality of Life Capital to a large extent determines the city's assessment as a good place for living and working. As opposed to Culture and Image Capital (often based on commonplace, hard-to-verify opinions), the assessment of QLC is usually based on real experiences and observations of the city's inhabitants, as well as visitors.

While measuring QLC, we take the following four aspects of quality of life into account: the environmental condition, quality of healthcare, quality of educational services and sense of security.



## QLC: environmental condition

Cities which are considered ecologically clean give their inhabitants a far better sense of comfort and satisfaction than polluted cities. However, we have to remember that in ecology – as in many other areas – commonplace opinions are often hard to eradicate, while spectacular failures and successes (e.g. appearance of a bird species unseen for years) often make more

of an impression than actual measurements of environmental pollution.

The indicators used to measure QLC in terms of environmental condition are: the measurement of air pollution (emission index for various types of gas and dust pollution), the number of cars per 1 square kilometer of the city, the waste management indicator and the percentage of treated waste.

The environmental condition in Kraków is a major problem. The air pollution levels (especially in terms of suspended dust) are the highest among the examined cities (which is likely due to the land formation around Kraków), despite the fact that the vehicle traffic intensity is slightly below average for the 7 cities (928 vehicles per km<sup>2</sup>, compared to the average of 1017). One of the problems is the quality of water in the rivers running through the city. In the five-level water quality classification, there are only a few rivers with the III quality class (the largest of those, the Vistula, is considered to be unsatisfactory or bad in terms of quality). One of Kraków's assets is the 100% waste treatment level. It is necessary, however, to decrease the amount of waste kept at dumps (by 2010 the maximum should be 75%, at present this amounts to 98.8%).

With the average HSC level of 100 in terms of environmental condition for the 7 compared cities, HSC in Kraków is estimated at 87.

## QLC: quality of education

The quality of educational services is often one of the first questions asked when comparing the overall quality of life in the city. Firstly, good schools and highly-rated universities attract new people and encourage them to settle down – permanently or temporarily (which influences the availability of highly-qualified workers).

Secondly, good education allows the city to progress in terms of civilization and economy, influencing opinions concerning its potential development.

The following are the indicators used to measure QLC: points awarded to major universities in the university ranking (conducted by “Rzeczpospolita” and “Perspektywy”) and the success rate for high school final exams in 2005.

Kraków's quality indicator for educational services is one of the highest in Poland. The city comes second in the university ranking, behind Warsaw. Similarly, the success rate for high school exams is high (86.5% compared to the average of 84% in the 7 cities).

With the average level of 100 for the 7 cities, QLC in Kraków in terms of quality of education is 122.





# Quality of life

## QLC: quality of healthcare

The availability of quality healthcare services is one of the factors which have the greatest influence on the assessment of living conditions of inhabitants in the city. Considering that all cities in Poland suffer from some general problems in this respect, the situation of particular cities is varied.

Primary indicators used to measure QLC in terms of healthcare services are: the number of doctors per 1000 inhabitants, the infant mortality rate and the number of points awarded in the ranking to particular healthcare facilities in the city (the "Newsweek ranking of hospitals).

The situation in regard to the availability of quality healthcare services in Kraków is quite good. The number of doctors per 1000 inhabitants is one of the highest, although, unfortunately, the number of points awarded in the ranking to healthcare institutions is lower than the average for the 7 examined cities. The infant mortality rate - the most synthetic gauge of people's healthiness and the functioning of healthcare - is relatively low. This amounts to 5.6 deaths per 1000 live births (compared to the average of 7 for the examined cities).

With the average level of 100 for the 7 cities, QLC in Kraków in terms of healthcare is 100.

## QLC: sense of security

Sense of security has a lot of aspects: among important things are both physical safety among inhabitants (crime levels and road traffic safety), protection against accidents, as well as the sense of security in terms of health and job-finding opportunities.

While measuring QLC in terms of security we focused entirely on the physical aspect and used the following as indicators: the number of recorded crimes and the number of road collisions and accidents (compared to the number of inhabitants).

On the basis of the measurement indicators, Kraków appears as a city which ensures a moderate level of safety to its citizens and inhabitants, and should keep investing in this area. The number of road collisions and accidents in Kraków, analyzed in the period of January 2005 – June 2006, is slightly lower than the average (22 compared to the average of 24 in the 7 cities). Similarly, the number of recorded crimes is close to the average for the 7 examined cities. Note that the city does well in terms of ensuring safety at the numerous mass events (e.g. the 2006 New Year's Eve party in the city square with approximately 100 thousand spectators). The city, however, is not always able to ensure a proper degree of safety before, during and after the Wisła and Cracovia football matches.

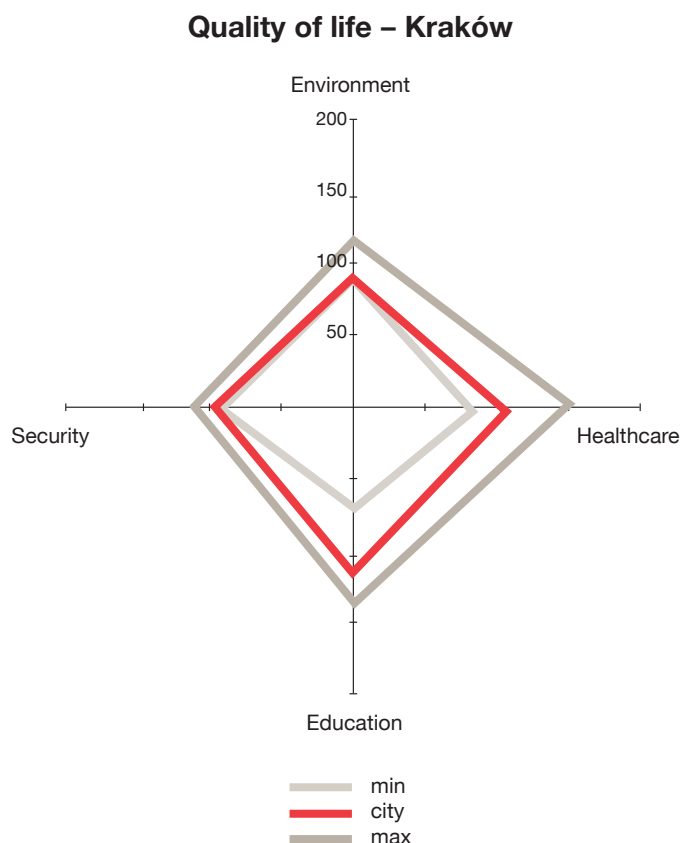
With the average level of 100 for the 7 cities, QLC in Kraków in terms of sense of security is 97.

# Kraków's Quality of Life Capital

With the average level of 100 for the 7 cities, Kraków's Quality of Life Capital is 102.

The overall evaluation of Quality of Life Capital in Kraków is high. Even though the city has some major problems with its environmental condition (especially air pollution), and the sense of security in the city is close to the average among the compared cities, it does well in terms of availability of quality healthcare services and exceedingly well in terms of education (the indicators in both of these areas are among the highest among the 7 cities).

Without question, the city's strategy should focus on improving the condition of the environment. Also, there is a need for initiatives for improving the condition of security.



## Where to find inspiration?

### Zurich

Zurich is a city which, despite the high urbanization level (industry, concentration of financial business), has become one of the cleanest cities in Europe, thanks to the implementation of proper proecological programs. Zurich has an extensive offer for tourists, as well as in terms of culture (50 museums, 100 galleries, numerous exhibitions, concerts etc.) The city's inhabitants make use of a well-developed healthcare system (there is one doctor per 435 inhabitants). The city has 20 universities, and 30.1% of the citizens have higher education (the average for Switzerland is 21.5%). Life expectancy is very high: 83 years for women and 78.5 years for men. Zurich's attractiveness is also underscored by its popularity among foreigners, whose number is as high as 22.8% of population. For several years Zurich has been one of leaders in the Cushman & Wakefield ranking in the best quality of life category.





# Image

## Why do we measure Culture and Image Capital?

In the modern world and the modern economy, decisions about buying goods and services are made not only on the basis of their actual worth, but also on the basis of what we imagine about the product. The important things are what we associate with a given brand: its prestige, quality, and the trust we place in it. This is also true about cities. In addition to what the city offers to its inhabitants, an extremely important thing is what we associate with the city. In other words, the city's image. A city with an image of being dynamic, friendly, and interesting will attract both tourists and investors.

The city's image depends on numerous factors. An important role is played by common opinions and general beliefs about the city, which are often deeply entrenched (especially the negative views – or simply the lack of any recognizable image). Also important are cultural factors – both those concerning the high culture, a subject of interest for elites, mostly, as well as everyday culture that we all encounter in our everyday life.

## Measuring Culture and Image Capital (CIC)

Culture and Image Capital is the measure of how the city is perceived by both its citizens and outsiders. This capital includes both the real strengths and weaknesses of the city, as well as commonplace opinions which often differ from the reality – but are deeply entrenched in people's minds.

A proper image, which underscores strengths and advantages of the city is necessary for a successful growth of the city. While measuring CIC we take the following three characteristics into consideration: general opinions about the city, high culture and everyday culture.

## CIC: overall image of the city

Overall image refers both to the general recognizability and commonly acknowledged attractiveness of the city, but also to perception of traditional values by the inhabitants and the effectiveness of city management.

According to the assumed methodology, the basic indicators used for measuring CIC

in terms of overall image are the following: an Internet search for the number of „good things” associated with the city (e.g. the number of websites containing the city’s name and the word “culture”), the number of visiting tourists, the observed level of entrepreneurship and the inhabitants’ opinion about the city’s authorities.

In terms of overall image, Kraków’s situation is excellent. This is the most recognizable of all Polish cities, chiefly thanks to its rich historical and cultural traditions. This is confirmed by the poll on the attractiveness of Poland and Polish cities organized by BBC. BBC viewers consider Kraków to be the most popular city in Poland, in terms of entertainment and tourism. In terms of business attractiveness, Kraków is second only to Warsaw. Moreover, the city’s presence on the Internet is superb, and the city attracts a lot of tourists (more than 2.5 million tourists a year). Kraków’s development in terms of tourism was acknowledged in the World Leadership Awards 2006 international competition. On December 6, 2006 in London, the city was awarded a prize in the “Economy and Employment” category, which shows that the city is a worldwide leader in this field and an example to other cities.

The percentage of people running their own businesses is 10.0%, which is quite high among the examined cities and helps build Kraków’s image as a dynamic city. The acceptance for the city authorities, however, is hardly impressive - the current president received only 43% of votes in the first round of the elections, which is close to the average for the 7 compared Polish cities.





# Image

## CIC: high culture

A city's image is largely influenced by its activity in terms of high culture. Although high culture-related services are used by a relatively low number of inhabitants and visitors, it is cultural events that feature most prominently in the media and shape the city's image of an interesting and attractive place.

The primary indicators used for measuring CIC in terms of high culture are: the city's budget assigned for culture, the number of shows and concerts, the number of theater festivals, film festivals and classical music festivals (all indicators per the number of inhabitants).

Kraków's budget assigned for culture per inhabitant is one of the highest in Poland. The number of shows and concerts is close to the average for the 7 cities, while the number of theater festivals and classical music festivals is much higher than average. It is only in terms of film festivals that Kraków does not belong to the elite in this respect. Kraków successfully competes with Warsaw for the title of the cultural heart of Poland, being famous for its refined high-cultural events. One of the possible problems is the fact that Kraków cannot offer to most artists the comprehensive and diverse job opportunities that they can find in Warsaw. In the long run, this may lead to weakening of the city's potential and its offer in terms of high culture.

With the average level of 100 for the 7 cities, CIC in Kraków in terms of high culture is 117.

## CIC: everyday culture

Most inhabitants and visitors of the city establish a general opinion about it on the basis of everyday culture: the offer of restaurants, hotels, the number of movie theaters, leisure opportunities in parks or participation in popular mass events.

The following are the indicators used to measure CIC in this respect: the number of movie theater seats, the number of restaurants, sports stadium seats and the area of green lands within the administrative boundaries of the city (all of the above per the number of inhabitants).

Kraków's everyday culture indicators are diverse. The number of movie theater seats (16.2 per 1000 inhabitants) is close to the average among the large cities, while the number of restaurants is much higher than the average - this confirms the common opinion that Kraków has no equal in this respect. The amount of green lands in the city (2.8 ha per 1000 inhabitants) and the number of stadium seats are among the lower results for the examined cities. Kraków's position in terms of everyday culture is improved by popular mass events (e.g. The Great Dragon Parade and Coke Live Music Festival).

With the average level of 100 for the 7 cities, CIC in Kraków in terms of everyday culture is 98.



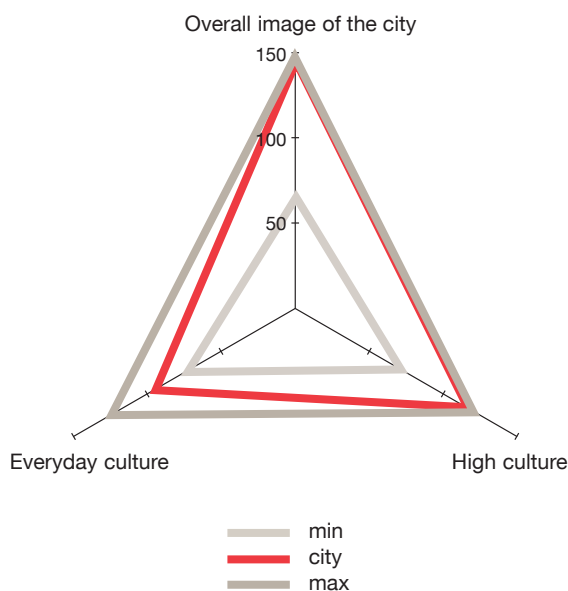
## Kraków's Culture and Image Capital

With the average level of 100 for the 7 cities, Kraków's Culture and Image Capital amounts to 120.

Kraków has significant capital in terms of Culture and Image – basically, in every respect. It is well-recognized in the world and a poster city for our country; one of Poland's gems in terms of tourism, where everyone – regardless of their age or interests – can find something for themselves. The city holds an especially high position on the list of high culture centers. A welcome thing would be a debate on how to take advantage of this outstanding capital for improving Kraków's attractiveness in other respects (e.g. in terms of attractiveness for investors or development of the job market).

In the light of the above, the quality of everyday culture is a slight disappointment. In order to improve on this, it is necessary to provide support for the further development of business in terms of leisure services.

### Image – Kraków



### Where to find inspiration?

#### Barcelona

Barcelona is a city which for several years now has been trying to consolidate its image of an attractive and tourist-friendly city. It has been always considered to be one of the prettiest cities in Europe, full of beautiful monuments and excellent restaurants. The city continues to work on revitalizing the city's urban areas, on decentralizing administration, and on improving infrastructure. Especially important for the city's image was the revitalization of Barcelona's waterfronts, which cost approximately EUR 240 million (the city contributed 1/3 of the sum), but allowed the city to create an entertainment and shopping center in the area of the port and to extend the famous Las Ramblas promenades to Rambla del Mar. The city is constantly broadening its cultural and tourist offer. Numerous concerts, open-air events and the extensive network of hotels and restaurants make Barcelona a tourist-friendly city (the number of tourists in 2005 exceeded 5 million, which is an almost 500 thousand growth compared to 2004 and more than a 1.4 million increase compared to 2001). The result of these changes is the fully integrated city with an architecturally well thought-out structure, housing and well-developed technical infrastructure, and one of the largest sports facilities in the world. The city also created its own brand, whose logo is a B-shaped sign. Barcelona's activities aim to create a clear and attractive image in terms of tourism, but also a business-friendly place.



# Institutions

## Why do we measure Institutional and Democratic Capital?

Institutional and Democratic capital determines the functioning of institutions which manage the city: city authorities, public administration, maintenance services. It also reflects the civic activity of inhabitants and the effectiveness of democratic mechanisms and the communication between the authorities and the society.

In those cities with high Institutional and Democratic Capital it is easier to develop and exercise a consistent development strategy. Authorities which are controlled democratically can perform its duties in a better way,

have a stronger social mandate for managing the city, while the inhabitants' activity supports them on the road to achieve their common goals. On the other hand, in the cities with weakly developed democratic mechanisms there is an atmosphere of mutual distrust and unhappiness, and the inhabitants do not understand and do not support the authorities' actions. Such a situation is hardly liable to a real success in terms of economic and social development.

## Measuring Institutional and Democratic Capital (IDC)

Institutional and Democratic Capital of a city is comprised of both the quality of the authorities' actions, as well as the inhabitants' activity and good communication between the authorities and people.

IDC is measured in three areas: the effectiveness of municipal institutions (the authorities and public administration), their actual capability of performing of one of the crucial functions – ensuring public safety and social activity of the city's inhabitants.

## IDC: effectiveness of administration

Evaluating the effectiveness of the city's authorities and administration has a twofold purpose. On the one hand, there are real judgments based on the experiences of inhabitants and visitors. On the other hand, these judgments are influenced by the method of communicating with the society: inclusion of citizens in the process of creation of the development strategy and proper explanation of problems and goals of the conducted activities.

The primary indicators used to measure IDC in terms of municipal institutions are: indicators of the assessment of the city's authorities by its inhabitants, expenses on administration (compared to the population) and the indicators of effectiveness and availability of offices (the waiting times for the entry in the economic activity register and office opening hours adjusted to the citizens' needs).

Kraków does very well in terms of effectiveness of the municipal institutions. Although assessment of the way in which the authorities function is not very favorable (which is confirmed by fact that the current president received 43% of votes in the first round of the elections), and the expenses on public administration per inhabitant are below average for the analyzed cities, the waiting time for the entry in the economic activity register is very short. The city's good result is hardly even marred by the lower-than-average availability of offices (in convenient hours). An important thing is that the city offices are being steadily computerized (note the awards received by the city: "Oracle Leader 2006" and "Infinity 2006 Forbes HP Intel").

With the IDC level of 100 for the 7 cities in terms of effectiveness of administration, Kraków's indicator equals 115.

## IDC: public safety

Public safety in the city usually results from the authorities' actions: appropriate expenditure on law and order services, cooperation with citizens, the ability to gain people's trust towards law and order services.

While measuring IDC in terms of public safety, the following indicators were used: the city's expenses on safety, the number of recorded crimes, the number of police officers and guards (all of the above per 1000 inhabitants) and the crime detection rate.

The public safety level is one of the city's potential problems. The security-related expenses per inhabitant are among the lowest in the examined group, as well as the number of police officers and guards and the crime detection rate. Despite of the above, Kraków's results in terms of recorded crime are not high (87 recorded crimes per 1000 inhabitants in the period of January 2005 - June 2006, compared to the average of 86.6 in the 7 cities).

With the average level of 100 for the 7 cities, IDC in Kraków in terms of public security is 89.





# Institutions

## IDC: social activity

High social activity results in better functioning of democratic mechanisms, strengthening of the democratic control over the authorities, creating a partnership between the inhabitants and authorities and a greater scale of cooperation of inhabitants in developing and implementing the city's development strategy. In other words, active citizens contribute to faster growth, while their passivity has a negative impact on the way in which the city functions.

IDC in terms of social activity is measured by analyzing Internet sources and by measuring the number of non-governmental organizations registered in the city, as well as the average election attendance (the 2005 parliamentary elections, the first round of the 2006 self-government elections and the first round of the 2006 presidential elections). The above were also used to measure Human and Social Capital in terms of social activity.

The social activity level in Kraków is hardly impressive – there are slightly more than 4 non-governmental organizations (the average of 5 in the other major Polish cities), while non-governmental activity examined by means of the Internet is on average with the 7 cities. The average attendance in the 2005/2006 elections was 51 %, which is close to the average for the 7 examined cities.

With the average level of 100 for the 7 cities, IDC in Kraków in terms of social activity is 97.



# Kraków's Institutional and Democratic Capital

With the average level of 100 for the 7 cities, Kraków's Institutional and Democratic Capital is 100.

Institutional and Democratic Capital in Kraków is close to the average. In terms of public security, Kraków's results are slightly lower than the average – this may be improved, but it would involve increasing expenses on increasing public safety.

Kraków's authorities should also take appropriate measures for stimulating and supporting non-governmental activity. The relative weakness of the institutions and civic society is inconsistent with the high level of people's education, weakening the city's democratic mechanisms.



## Where to find inspiration?

### Dublin

Dublin is the winner of the Cushman & Wakefield ranking in terms of the best conditions created by the city's authorities. Among the city's strengths are not only the legal solutions and the incentive system for investors, but also the computerized system of offices available online. Dublin has an extremely user-friendly website. By using the „online city” we can find all the needed information, such as the office hours of particular institutions, the organizational structure, information about persons responsible for specific departments, legal information, e-mail addresses, as well as documents and application forms ready for download. During the Eurostat opinion poll in 2004, 49% of Dublin's inhabitants said that the public administration in the city works effectively.



# Infrastructure

## Why do we measure Technical and Infrastructural Capital?

The broadly understood infrastructure – including efficient transport, housing resources, service infrastructure and media necessary to live and do business in the modern world (both the traditional ones – power and water – as well as the modern ones: telecommunication and the Internet) – is a prerequisite for creating an efficiently functioning metropolis.

Without efficient infrastructure the people's quality of life deteriorates, the city's image worsens, and its attractiveness as a place for locating investments diminishes. It is important to remember that infrastructure

is not only buildings, equipment and installations – it is also the organizational efficiency of private and municipal companies, which allows them to fully utilize the available infrastructural resources. The actual Technical and Infrastructural Capital level depends also on the efficiency of services, media and housing markets. In a city with extensive housing resources, but with an inefficient market, it would be equally difficult to rent or buy appropriate quarters as in the city simply with no apartments at all.

## Measuring Technical and Infrastructural Capital (TIC)

The city's Technical and Infrastructural Capital has a strong impact on the city's attractiveness as a place to live and do business. The TIC assessment is usually based on real experiences and observations of the city's inhabitants and visitors. The widely circulating bad opinions might destroy the city's image, even it does well in other areas.

The concept of Technical and Infrastructural Capital includes various forms of property used to fulfill the city's needs. In our opinion there are four kinds of infrastructure crucial for successful development: communication infrastructure, energy and IT infrastructure, housing infrastructure and trade and services infrastructure.

## TIC: transport

A general assessment of the efficiency of transport in the city needs several factors to be taken into consideration: road infrastructure, road traffic congestion, quality of public transport and quality of the city's connections to the outside world.

The indicators used to measure TIC in terms of transport are: density of the road network,

the number of cars and the number of seats in public transport (in both cases calculated in relation to population), as well as the number of direct flights and long-distance train connections. Although these are not the only indicators that could be used, they give us a general idea of what the quality and development of the city's communication infrastructure look like.

Kraków's situation in terms of transport is quite good. The road network density and the number of public transport seats are close to the average (per 1000 inhabitants), while the number of cars per 1000 inhabitants is lower than the average for the 7 examined cities. The particular noxiousness of the vehicle traffic in Kraków, especially in the center, is due to the type of the city's buildings and the intensity of the currently conducted investment- and renovation-related works. Kraków has good direct air connections with the world, and quite good train connections with other Polish cities.

With the average level of 100 for the 7 cities, TIC in Kraków in terms of transport is 106.

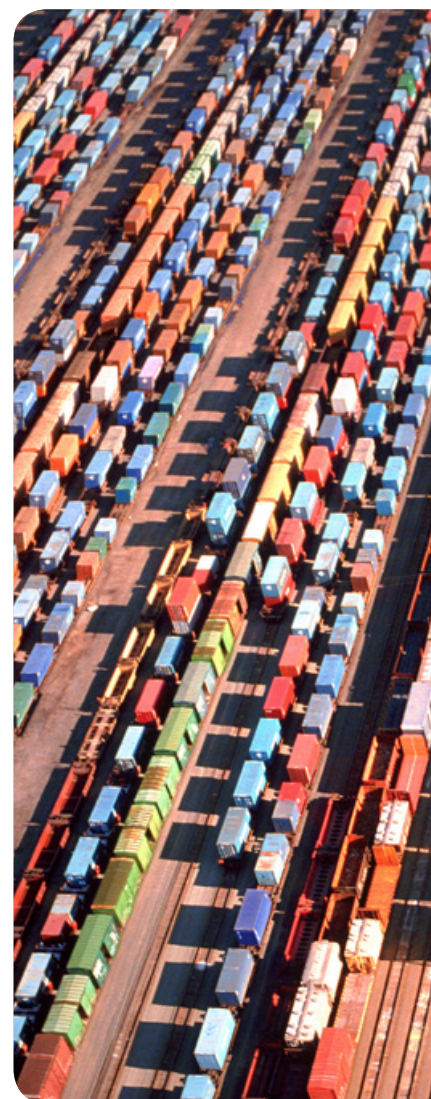
## TIC: apartments

The availability of low-priced apartments or houses in the city depends both on the housing resources owned by the city (their amount and quality), and on the efficiency of the real estate market. The more efficient the market, the easier it is to acquire and keep highly-qualified workers in the city and draw new investors to the city.

The primary indicators used to measure TIC in terms of housing are: the number of apartments per 1000 inhabitants, the indicators of quality of the housing resources (the percentage of apartments with bathrooms and the share of old apartments in the total of resources), the rate of growth of housing resources and average rents.

Kraków's housing resources are satisfactory. The number of apartments per 1000 inhabitants is not very high (almost 388 apartments compared to the average of 406 in the 7 cities), but Kraków's housing resources are characterized by relatively good quality. Both the percentage of old apartments, as well as of those with no basic amenities, is among the lowest in the compared cities. The increase rate of new apartments in the period of 2002-2005 is 7.9% (compared to the average of 5.5 in the 7 cities), which makes the city one of the country's leaders. However, rents are among the highest in Poland (except Warsaw), which may indicate problems with the city's real estate market (insufficient supply).

With the average level of 100 for the 7 cities, TIC in Kraków in terms of housing resources is 107.





# Infrastructure

## TIC: media

Without efficiently and reliably supplied media it is difficult for the city to establish the image of a place where one can live normally, and first of all, where one can do business effectively. This refers both to the traditional media (power, gas, water), as well as the modern media which enable innovative growth which utilizes the citizens' knowledge and skills to the highest extent (telecommunication, the Internet).

The following are the indicators used to measure TIC in this respect: power consumption, the percentage of people using the water supply and sewage networks, the number of fixed telephony subscribers and the estimated number of Internet users (all indicators per 1000 inhabitants).

In terms of traditional media, the results for the water supply and sewage networks are close to the average for the 7 cities, while the power consumption is higher (the highest among the examined cities). In terms of the number of fixed telephony subscribers Kraków comes slightly below average, whereas the number of Internet users per 1000 inhabitants is one of the higher ones.

With the average level of 100 for the 7 cities, TIC in Kraków in terms of media is 104.

## TIC: trade and services

Various market services, especially trade, financial, hotel and catering services, create the necessary market infrastructure required to ensure that the city's economy is working properly. These services are usually highly correlated: cities which offer e.g. large, modern shopping spaces also offer other services of high quality.

While measuring TIC in terms of services we used the following indicators: the area of modern shopping space, the number of ATMs and the number of shops, hotels and restaurants per 1000 inhabitants.

The market infrastructure in Kraków in terms of trade and services is well-developed. The shopping space is larger than the average (515m<sup>2</sup> per 1000 inhabitants compared to the average of 512m<sup>2</sup> in the 7 cities), the number of ATMs is average, while the number of shopping establishments is among the highest. However, the city lacks high-class office space. This is a negative aspect of TIC, which may have a negative impact on e.g. the city's investment attractiveness capital.

With the average level of 100 for the 7 cities, TIC in Kraków in terms of trade and services is 100.

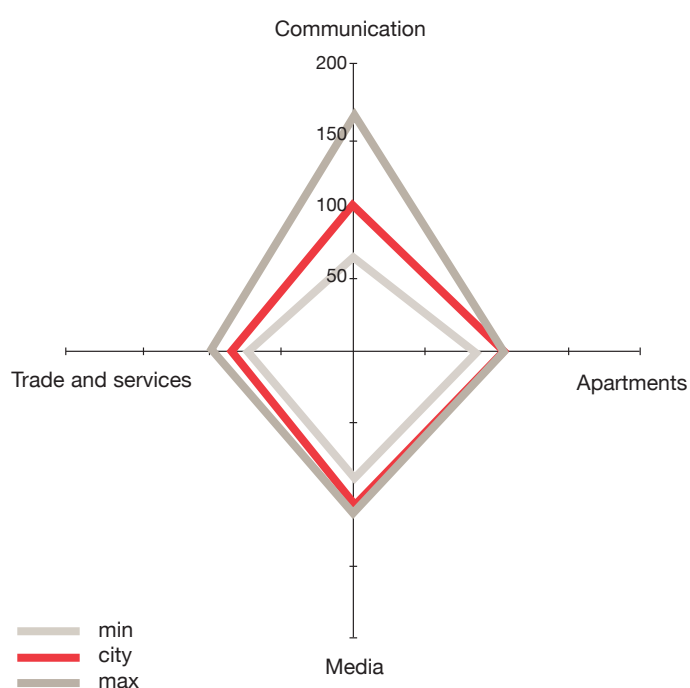


# Kraków's Technical and Infrastructural Capital

With the average level of 100 for the 7 cities, Kraków's Technical and Infrastructural Capital equals 104.

Technical and Infrastructural Capital in Kraków is moderately good. The city's results are particularly good in terms of the increase dynamic of the number of apartments and the communication with the world - especially the city's air connections. The priorities for the city's authorities should include the further development of public transport and increasing the number and quality of roads to match the increasing number of cars and visitors. It is also important to consider how the city could contribute to improving the availability and quality of office space.

## Infrastructure – Kraków



## Where to find inspiration?

### Newcastle

Newcastle has a reputation of a city with advanced infrastructure. This is a result of the city's preparing a clear development strategy and the fact that approximately 41% of the expenses are devoted to investments.

As a result of these actions, the city has an effective public transport system, which translates into more than 25% people using public transportation to get to work, while the average for this indicator in Great Britain is close to 15%. At the same time, opinion polls among Newcastle's citizens show that 68% of the polled said that they are happy with the transport system of the city.

One of the key goals of the city is to improve housing infrastructure – as a result of activities targeted at this area, the number of apartments with no basic amenities dropped by 61% in 1993-2003.



# Finances

## Why do we measure Sources of Funding Capital?

Sources of Funding Capital (SFC) is understood as the city's capability to find the necessary means to fund its own growth. These financial means can be drawn from various sources: these can be tax money, government subsidies, EU funds, income from bond issues or loans. These can be also private sector resources, which were successfully used to fund projects necessary from the point of view of the city's development.

In order to develop, the modern city needs investments ensuring the efficiency of infrastructure, the desired quality of life and well-functioning public institutions. It is not enough to come up with good ideas and a good development strategy – the city also has to locate funds necessary to put these ideas into practice. A city with high SFC is the city which can both find the necessary funds, as well as obtain them from different sources in order to ensure the best results possible with the possibly lowest costs of acquiring the capital.

## Measuring Sources of Funding Capital (SFC)

Sources of Funding Capital is understood as the city's capability to fund the projects necessary for development. Well-developed SFC means that the city is able to acquire a sufficient amount of funding for this purpose, simultaneously differentiating the funding sources.

While measuring SFC we analyze three possible sources of funding, which are equally important from the city's point of view: the city's own resources, the means coming from the financial market and EU funds. At the same time, we would like to stress that in the long-term Polish cities should involve more private sector funds, especially through public-private partnerships.

## SFC: The city's own funds

The city's own funds are those that the city can save up in its budget for pro-development activities. The main advantage of funding development from the city's own funds is the fact that the city does not incur any debts. However, there are some unfavorable phenomena: budget resources are always limited, and in the long-term it is possible to save up the city's own resources only by imposing – if possible – high fees and taxes.

This may have a negative impact on the climate for running business in the city.

According to the used methodology, the full picture of SFC in terms of the city's own funds includes: the city's total income (including subsidies from the state budget), the city's budget own income (per inhabitant) and the share of expenditure for investments in the city's budget.

Kraków's total budgetary income in 2005 amounted to PLN 2 billion, which is among the highest in Poland. But the income per capita was relatively low, as well as the city's own income per inhabitant.

However, the share of investments in the city's expenses was relatively high - the result was 19% (compared to the average of 17%).

With the average level of 100 for the 7 cities, SFC in Kraków in terms of the city's own resources is 91.

## SFC: resources from European funds

Thanks to Poland's membership in the European Union cities can use the development funds available under structural funds. These are non-returnable grants, covering the majority of the costs of investments conducive to the regional development and the improvement of the quality of life. Using these resources is extremely favorable to the city (the only problem is finding funds for covering the "own contribution" for the project).

Obtaining funds from European funds, however, is somewhat complicated and the bureaucratic procedures related to proper use of funds are extremely inconvenient.

Measuring SFC in terms of European funds is based on the observations of the EU resources obtained by the city (both the pre-accession funds as well as post-accession funds) per inhabitant.

Kraków's effectiveness in terms of acquiring EU funds seems to be average, compared to the 7 cities. Considering the amount of funding acquired in 2004-2006, Kraków comes third among the examined cities. Both before, as well as after the accession, the obtained funds per capita are slightly lower than the average for the examined cities. This distance, however, does not seem to be big, and can easily be reduced in the future.

With the average SFC level of 100 in terms of European funds for the 7 Polish cities, Kraków's indicator is estimated at 94.







# Finances

## SFC: Financial market sources

The funds coming from the financial market can be obtained by raising a loan or issuing communal bonds. In the case of a city with a good financial situation, trusted by investors, a professional issue of bonds usually involves lower costs than raising loans. One of the advantages of funding development from financial market funds is the possibility

of completing investments which cost more than the budget is able to cover. An unfavorable phenomenon is incurring debts.

Measuring SFC in terms of funds coming from the financial market includes the following: the proportion of the debt and annual debt servicing costs to the city's income, the proportion of the issue of obligations to the income (this shows the active search for methods of lowering the debt servicing costs).

Considering the selected indicators, Kraków's situation in terms of market financing seems to be the worst among the examined cities. This is due to the total debt, which almost reaches 52% of the city's budget, which according to the assumed methodology is a relatively high result. However, it is not alarming, which is shown in the credit ratings awarded to the city, but needs careful monitoring. The problem is not the fact that this situation may cause instability of the city's finances, but the limited loan-raising opportunities available in the future. On the other hand, the proportion of the debt service to the income, which is close to the average for the 7 cities, shows that the cost of raising capital is relatively low. The city actively sought optimal methods of financing growth by issuing communal bonds. Finally, the BBB rating awarded by the Standard & Poor's agency is still maintained and indicates full capability of paying installments and accrued interest, with some potential problems, if the economic situation worsens).

With the average level of 100 for the 7 cities, SFC in Kraków in terms of the financial market resources is 71.

## SFC: Mixed funding (public-private)

The financial means obtained by mixed funding are those that are acquired by the city by signing relevant contracts with private investors, which result in funding of projects important for the city's development by the private sector. The use of mixed funding is to be considered to be the sign of the city's

highest capabilities in terms of acquiring financial means for development. Because mixed funding is not popular in Poland yet, we do not include it in the SFC measurement. However, we would like to stress its importance for the future development opportunities of Polish cities.

Kraków's authorities regard the possibility of realizing large infrastructural projects in the form of the typical Public-Private Partnership with some reserve. As a result, most of the crucial investments in the city are based on traditional methods, in which the funding is provided by the city's budget aided by EU funds. Private entities are invited by the city for co-operation as a "joint-venture" partner (e.g. the construction of the congress center), rather than as a typical PPP partner. The PPP method, however, is used by Collegium Medicum of the Jagiellonian University in the construction of the new university clinic. Currently the investors are working on a preliminary feasibility study in order to determine whether PPP is the optimal method of funding of this important project. At the same time, all the necessary legal and technical analyses are being conducted.

# Kraków's Sources of Funding Capital

With the average level of 100 for the 7 cities, Kraków's Sources of Funding Capital amounts to 86.

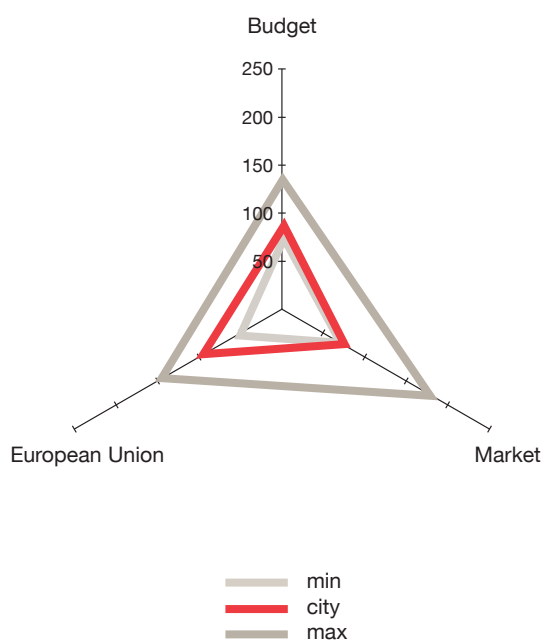
Therefore, the overall assessment of SFC is relatively low in the case of Kraków. The city has a relatively weak income base (one of the lowest per capita income indicators in Poland, despite the relatively high GDP), does not diversify the sources of funding that may be acquired in the financial market, and its usage of EU funds is average.

Considering the city's debt levels, the authorities should, as a priority, carefully monitor the financial situation.

The relatively high debt, despite the fact that it does not pose any danger to the city's financial stability, severely limits the future loan-raising opportunities. The situation may be significantly improved with greater use of EU funds.

However, in the long run, the only solution to the shortage of funds may lie in seeking mixed forms of funding.

## Finances – Kraków



## Where to find inspiration?

### Bilbao

Bilbao is considered to be one of the examples of good usage, financing and balancing of the city's budget. GDP is close to the average GDP of the European Union. The city achieves particular success in acquiring and using funds. It does very well in terms of mixed funding, combining public and private capital, but also uses EU funds. The EU funds were used e.g. in the city's revitalization project. The revitalization concept assumed an integrated approach to revitalizing the neighborhood by combining training and pro-employment activities with the renovation of buildings and environment improvement programs. In order to create training and employment opportunities, the unemployed were involved in practical works, which gave them the necessary experience, and enabled them to work on improving the city's image and quality of life. Moreover, Bilbao ran a spectacular project of revitalization of the Nervian river bank, whose total cost was estimated at EUR 84 billion, while the city's own contribution amounted to EUR 1.8 billion. The revitalization project was organized by a private entity – a company established by public shareholders. The result, among other things, is the Guggenheim Museum, whose cost (USD 100 million) was covered from private funds in 30%.



# Investments

## Why do we measure Investment Attractiveness Capital?

Investment Attractiveness Capital is primarily understood as the past ability to attract investors to the city, reflecting the general opinions on the city's attractiveness as a place for locating business. This capital is not always closely related to the actual strengths and weaknesses of the city: sometimes cities offering very good conditions are being omitted by investors, whereas others, offering significantly worse conditions, are on the list of the cities popular among investors. The city which is not perceived as a good place for locating investments should do its best to change this situation.

Investors often do not behave in an entirely rational way: investments are located in places where past investments were located, even though other cities might offer better conditions. Location of investments can be also determined by subjective factors of secondary importance: the ease of access to the city for business travelers, the way in which they are treated by the local administration, the first impressions of the visit. This does not change the fact that Investment Attractiveness Capital is of key importance for the future development of the city.

## Measuring Investment Attractiveness Capital (IAC)

The city's Investment Attractiveness Capital is of prime importance to the city's development opportunities. Although the evaluation of attractiveness for investments made by businesses is not always fair, the city has no choice but to promote its image among investors in a patient and effective way.

Investment Attractiveness Capital is primarily measured by analyzing the city's successes in attracting investors – both domestic and foreign. We would like to draw attention, however, to some of the factors which may contribute to consolidating the city's image as a good location for business.



## IAC: foreign investors

The assessment of the city's attractiveness for investments by foreign companies is based on analyzing the investments made over the last several years. One has to remember that foreign companies may be less informed about the real strengths of cities, therefore the scale of the decisions based on common opinions and observing how other companies operate may be significant.

The indicators chosen for measuring IAC in terms of foreign investments are: the number of foreign companies which invested in the area of the city and the estimated value of the largest investments made over the last 5 years.

Kraków's situation in terms of attractiveness for foreign investors is very good. Both the number of foreign investors active in the city per the number of inhabitants, as well as the estimated size of foreign investments made in the last 5 years, are high.

With the average level of 100 for the 7 cities, IAC in Kraków in terms of attractiveness for foreign investors is 106.

## IAC: domestic companies

Domestic companies usually have a broader knowledge of the actual strengths and weaknesses of cities as places for locating the investment than foreign companies, therefore their decisions may be more rational. Our analysis considers, first of all, large domestic companies, which can often have a lot of choice in selecting a place for their investments over the long term.

Primary indicators used to measure IAC in this respect are: the total size of companies' expenses may be more rational. (excluding the estimated expenses made by the largest foreign companies) and the proportion of capital expenditure to the company's property.

Kraków's investment attractiveness from the point of view of domestic companies is relatively low. Capital expenditure per inhabitant is 25% lower than the average for the 7 cities, and the proportion of capital expenditure to the city's property is lower by 8%.

With the average level of 100 for the 7 cities, IAC in Kraków in terms of attractiveness for domestic companies is 84.





# Investments

## IAC: subjective investment conditions

Observations – often superficial – in regard to specific conditions for investments and running business in the city can be often more important than the city's actual strengths related to e.g. human capital or infrastructure. Our analysis takes into consideration also these factors which can instantly encourage or discourage companies from making investments.

The following are the indicators used to measure IAC in this respect: the percentage of the city's area covered by spatial development plans, knowledge of English among inhabitants (the indicator developed by PricewaterhouseCoopers on the basis of the assessment of the percentage of the population with knowledge of English and the proficiency level) and the number of beds in 4- or 5-star hotels (compared to the number of inhabitants).

Kraków's situation in terms of subjective investment conditions is ambiguous. Although the percentage of the city's area covered by spatial development plans is only 11%, which is the lowest among the examined cities, the number of hotels, which is important to traveling investors, is high, and the percentage of citizens with the knowledge of English is relatively high.

With the average level of 100 for the 7 cities, IAC in Kraków in terms of investment conditions is 93.

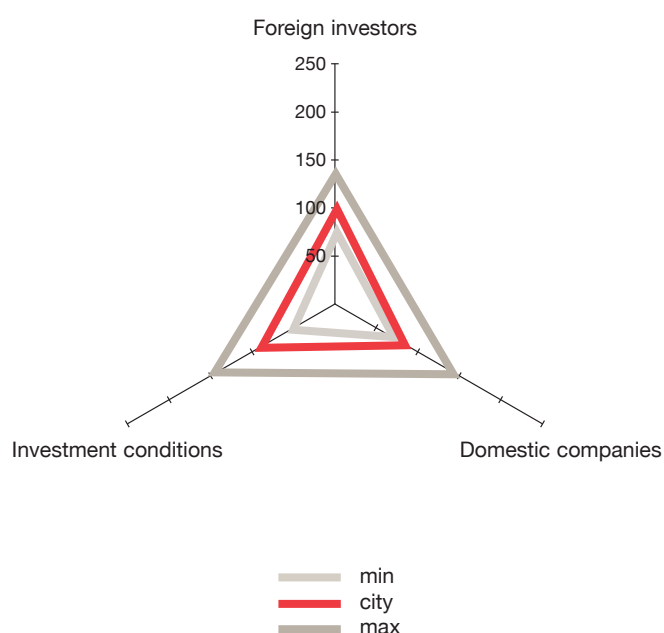
# Kraków's Investment Attractiveness Capital

With the average level of 100 for the 7 cities, Kraków's Investment Attractiveness Capital is 97.

The overall assessment of Kraków's Investment Attractiveness Capital is average, which to some extent may disagree with the superficial observations and common opinions in this respect. The city managed to attract a lot of foreign investors. For example, Kraków is the city with the highest number of service centers built in the last several years. The situation in terms of subjective investment conditions and domestic companies' investments, however, is rather average compared to other Polish cities.

The city should continue its policy of consistent promotion, at the same time making better use of its actual investment-related assets and the high image capital and attempting to increase the share of investments based on knowledge and high qualifications. The city needs progress in terms of subjective investment conditions (e.g. services for investors).

## Investments – Kraków



## Where to find inspiration?

### Frankfurt

Frankfurt is one of the leaders in investment attractiveness for business (according to the Cushman & Wakefield ranking). The value of the investments in construction in 2004 amounted to EUR 1.6 billion; also high is the number of new businesses emerging in the city. Frankfurt has very high GDP per capita (almost EUR 75 thousand), which is higher than GDP in Paris (EUR 67.2 thousand) and London (EUR 35 thousand). Frankfurt's advantages include: easy access to markets and clients, qualified and cost-effective personnel, good city communication, very good communication infrastructure (the administration and companies are highly computerized), availability and low costs of office space, as well as high quality of life of workers. Frankfurt has good connections with the rest of Europe and the world – transport availability indicators (EU average 27=100) amount, respectively, to 187 for road transport, 230 for trains, and 199 for air transport. The number of flights (passenger and cargo) in 2005 exceeded 475 thousand. In the case of Frankfurt, the important thing is the city's openness in regard to innovativeness, not only in terms of education, but also business.

# Contact

## Public Sector Services Team



**Olga Grygier**

Partner

Phone: +48 22 523 42 14

E-mail: [olga.grygier@pl.pwc.com](mailto:olga.grygier@pl.pwc.com)



**Marzena Rytel**

Deputy Director

Phone: +48 22 523 46 85

E-mail: [marzena.rytel@pl.pwc.com](mailto:marzena.rytel@pl.pwc.com)



**Maja Koźmińska**

Manager

Phone: +48 22 523 42 92

E-mail: [maja.kozminska@pl.pwc.com](mailto:maja.kozminska@pl.pwc.com)



**Alina Sarnacka**

Manager

Phone: +48 22 523 40 82

E-mail: [alina.sarnacka@pl.pwc.com](mailto:alina.sarnacka@pl.pwc.com)



**Michał Mastalerz**

Director

Phone: +48 12 429 61 00

E-mail: [michal.mastalerz@pl.pwc.com](mailto:michal.mastalerz@pl.pwc.com)

## Kraków Report Coordinator:



**Michał Mastalerz**

Phone: +48 12 429 61 00

E-mail: [michal.mastalerz@pl.pwc.com](mailto:michal.mastalerz@pl.pwc.com)



PricewaterhouseCoopers  
Al. Armii Ludowej 14  
00-638 Warszawa  
tel.: +48 22 523 4000  
fax: +48 22 523 4040

PricewaterhouseCoopers performs services on the basis of the industry specialization, offering solutions in terms of auditing, consulting services and tax consultancy for clients from the public and private sector. More than 140,000 employees in 149 countries combine their knowledge, experience and proved solutions to contribute to building trust for capital markets and raise the value of our client's businesses and their stakeholders.

© 2007 PricewaterhouseCoopers. The name „PricewaterhouseCoopers” refers to companies belonging to the PricewaterhouseCoopers International Limited network, each of which is a separate and independent legal entity. All rights reserved.

[www.pwc.com/pl](http://www.pwc.com/pl)