Reports on major Polish cities

Wrocław
The results presented are based on the assumption that the information obtained from sources other than PwC is complete and accurate in all respects. PwC assumes that the data and the responses are truthful and, therefore, the data received was not reviewed or otherwise verified.

This analysis is a certain interpretation of the data received and cannot be treated as a final recommendation, or advice on the choice of methods of operation or as a suggestion regarding the application of specific solutions. This document should not be treated as a substitute for consultation with professional advisers. Accordingly, PwC does not accept liability to any entity, which will use the information contained in this analysis without consulting a professional adviser.
Despite many difficult years of transition in Poland, sound market-based economic, democratic and socio-political institutions have been built, enabling civic activity to flourish. Cities have taken more and more responsibility for their own strategic decision-making, and for delivering ever greater affluence and quality of life for their residents. The European Union’s “Leipzig Charter” sets out urban development principles, stating that development should strive to be sustainable, to satisfy economic prosperity, social equilibrium, environmental, cultural and health goals, and to deliver effective democratic institutions. Poland’s membership of the European Union has meant that Polish cities have had unprecedented access to development funds to help them to reach these goals.

In the previous version of this report published in 2006, we principally tried to estimate where cities were at in terms of their access to development capital at the point where their growth was just taking off. In accordance with a methodology developed by PwC (formerly PricewaterhouseCoopers) we identified “seven capitals”, each of which relates to a crucial area of development, and then estimated each from number of selected indicators.

We have now repeated this process, with a number of key enhancements. We increased the number of cities analyzed from 7 to 11, added a number of indicators that were not available in 2006, and have also been able to assess the rate of change evident between 2006 and 2010 on the basis of the differences between the two reports.

The level of development capital in Polish cities today is a legacy of past events in the region. Polish cities suffered many years of slow growth, followed by a transformation during which a great deal of painful economic restructuring was necessary. It experienced rapid, sustainable growth between 2005 and 2008, only to find itself hit by the global financial crisis. The accompanying radical increase in funds from the European Union budget for regional development offered Polish cities the opportunity to markedly improve development capital in the seven key areas. However, the accumulation of development capital is necessarily a long-term process, and it is often only after years that the payoffs for residents, in terms of increased income, economic activity and quality of life, are evident.

**Wrocław**

After a number of difficult decades, Polish cities have now set themselves on a path of rapid development that offers them the opportunity to catch up with other Western European cities and greatly enhance the quality of life of their residents. It is doubtful whether Polish cities have ever before had such a tremendous opportunity.

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PwC’s Chief Economic Advisor
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The seven types of capital of Polish cities

Over the past few years, Polish cities have substantially increased their capital. However, in many ways, they still find themselves lagging behind the cities of western Europe that they seek to compete with and be compared to.

There are likely to be large amounts of development funds available to Polish cities in the coming years. The purpose of this report is to evaluate the level of development capital of Polish cities now. In doing so, it offers a perspective on the major strengths and weaknesses of Polish cities that will support the development of clear strategies and priorities to enable Polish cities to make the best use of those funds to achieve their goal: to transform themselves into modern, flourishing vibrant population centres.

The measurement of the growth potential of Polish cities is based on a methodology developed by PwC (formerly PricewaterhouseCoopers). It is based on the principle that solid development requires a number of different resources, termed the city’s “capitals”, to be present at the same time.

We mostly commonly think of the term “capital” in a financial sense. However, modern economics uses and understands the term much more extensively, as applying not only to money but also to resources like the qualifications, knowledge and experience of a population (human capital), the number and quality of their interactions (social capital), and even the value attributable to the way a city is perceived (image capital). These each represent necessary resources for development, and only with skilful investment over years will they mature.
A city with high development potential is a city with all 7 capitals well and evenly developed.

**Methodology**

### Seven development capitals

In analysing the development potential of Polish cities, we use the concept of 7 capitals, each of which is important for the city’s development:

- **Human and Social Capital (HSC)** defines the quality of human resources at a city’s disposal. This includes the knowledge and qualifications of its workers, the demographic structure (cities with an ageing population are less dynamic than ‘young’ cities) and the social activity of the inhabitants.

- **Culture and Image Capital (CIC)** relates to how a city is perceived: as an interesting and attractive place, or a cultural desert, for example. The better the image, the easier it is to attract investors to the city and boost the economic and social activity of its residents.

- **Quality of Life Capital (QLC)** reflects the living and working conditions the city offers. It consists of such ingredients as the state of the natural environment, level of health care, quality of educational institutions and people’s sense of security.

- **Technical and Infrastructure Capital (TIC)** relates to the infrastructure, as broadly defined, of a city: its housing stock, roads, transport systems, as well as shopping centres, ATMs and internet access.

- **Institutional and Democratic Capital (IDC)** reflects the efficiency of the municipal institutions (government and administration) and the level of civil society activity.

- **Investment Attractiveness Capital (IAC)** tells us how strong a magnet the city is for investors, both foreign and domestic.

- **Sources of Finance Capital (SFC)** specifies the extent to which the city is able to obtain cash to finance development.

Apart from measuring the level of development of the 7 individual capitals in the 11 cities in 2010, the study also tries to measure the change in the capitals that took place between the last and present editions of the report, i.e. 2006-2010 (noting that the previous edition covered only seven Polish cities.)

Due to methodological differences, a direct comparison of the changes between 2006 and 2010 cannot be made; therefore, capital change is measured using a simplified methodology. As such this results in an estimate, and caution should be exercised in its use.

It should also be noted that, where growth rates are concerned, a lower starting point offers greater scope for growth than does a higher starting point. This should be factored in when considering the estimates of growth provided here.
How to read the radar charts in the report?

A radar chart allows us to analyse the city’s capital in several areas at the same time: the more indicators being considered, the greater the number of axes on which we place values.

When connected, the points on the axes form a shape (triangle, square, pentagon) where the number of vertices is equal to the number of axes. These diagrams depict a given city’s capital development (in red) against the average for the 11 major cities surveyed (in grey).

When analysing the chart, attention should be paid to:

• The size of the image area – the larger the area, the greater the capital.
• The shape of the figure – the more proportional it is, the more balanced is the development of the individual capitals. “Pulling” of the shape in any direction suggests that the capital in that area is more developed than the average, while “recession” along any of the vertices indicates relative underdevelopment.

General data on the cities included in the study

Data on the population from the end of 2009, GDP from 2008 (the latest available CSO data).
Source: CSO, PwC
**A good five years**

The past five years (2006-2010) have proven very positive for Polish cities. The country’s development accelerated after Poland’s accession to the European Union, partly due to the enormous opportunities created by unprecedented increases in regional development funds. Importantly, this has shown clear results in terms of increases in income and quality of life, improved infrastructure, and more efficient public institutions.

The index of economic development* measured for the 11 Polish cities covered by the survey shows a marked improvement in all the cities – its value has increased on average by 27%.

The fastest economic development over the period 2006-2010 was recorded by Wrocław and Warsaw, followed closely by Poznań, Krakow, Katowice and Łódź. A slightly slower than average rate of development was observed in Szczecin, the Tri-City area and Bydgoszcz. However, the main regional metropolitan centres of the “eastern wall”, Lublin and Białystok, developed somewhat more slowly, despite additional special development resources being targeted at these regions from European Union funds. This suggests that serious structural problems continue to hamper market-driven economic growth efforts there.

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* representing the weighted average of GDP growth per capita (real) from 2005-2007, growth in real incomes 2006-2010, and reduced unemployment.
Development capital increased everywhere

Polish cities took advantage of good development conditions in 2006-2010 to significantly increase their development capital. We estimate this growth to be 16% on average, meaning that each type of capital increased, on average, by this amount in each of the cities studied.

However, development has not been uniform. The greatest successes were achieved in the areas of Investment Attractiveness Capital and Culture and Image Capital, whereas the slowest progress was made in the areas of Technical and Infrastructure Capital and Quality of Life Capital. This is not surprising, as infrastructure is built up over many years while quality of life only increases as a consequence of sustained successes in other areas.

Of the cities studied, the fastest average growth of the 7 capitals was recorded in Lublin, Białystok and the Tri-City area. To a large extent, this is the result of the large amounts of development funding, mainly from the EU, that have been directed to Poland’s eastern cities. However, this increase has not yet translated into accelerated economic growth among other “eastern wall” cities.

Capital grew at a rate that was slightly above average in Kraków and Katowice, and slightly below in Bydgoszcz, Łódź, Wrocław and Warsaw. However, the development capital of Poznań and Szczecin increased noticeably more slowly. It is worth re-stating, at this point, that a lower initial level offers greater scope for growth than does a higher starting point, and that this factor may be influencing these results.

Study results
Growth of 7 capitals

Estimated growth of the average value of 7 capitals of Polish cities, 2006-2010

Source: PwC
**Study results**

**Comparison of capital growth**

**Disparities are slowly declining**

Generally speaking, over the period 2006-2010, the lower the starting level in a given city, the faster was its average increase in capital, leading to reduced inter-city disparities. This trend is so far relatively weak, but it should strengthen with the adoption of appropriate strategies for city development and the effective utilisation of development resources. However, we note that in the case of Szczecin and to a lesser extent Poznań, the estimated average capital growth was markedly slower than might have been expected.

**Relationship between economic development and the capitals**

A high level of development of all 7 capitals indicates favourable economic development conditions, and consequently better quality of life for a population. An analysis of the data on the average level of the 7 capitals recorded in the 11 cities studied, paired with economic development index data for the period 2006-2010, does indeed suggest a close relationship between the 7 capitals and economic growth. In the case of Wrocław, the results on economic growth are slightly better than would be expected given its 7 capital resources.

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**The level and growth of 7 capitals of Polish cities**

**Level of 7 capitals and economic success of Polish cities**

*Source: PwC*
**Wrocław**

Key conclusions and recommendations
Wrocław
Key conclusions and recommendations

The city's development potential is very high, and in 2006-2010 Wrocław recorded the best ratios in terms of economic development growth among all 11 analysed large Polish cities. It should be also noted that Wrocław very skilfully takes advantage of the entire region's potential and it has become its actual centre. Taking into account the results of the most recent local government elections, we should expect continuation of the assumed development strategy and consistent pursuit of the assumed objectives.
Without any doubt the city was able to plan and effectively implement a good development strategy. On the one hand, in recent years it recorded the largest success in Poland from the standpoint of promoting its image and creating an adequate investment climate (in many cases even becoming Poland’s ambassador abroad), and on the other hand it achieved real progress in expansion of 7 developmental capitals. With the exception of its institutions, which are lagging slightly behind, in all other areas Wrocław is clearly above average and it provides a good example for effective execution of development plans. The city sees its highest long-term competitive advantage in high human capital and knowledge-based development. In the course of execution of such development strategy, it is important to remember that it is necessary to meticulously harvest its fruits in the form of increased revenues and improved quality of life of the inhabitants.

**City’s biggest strengths:**
- Efficient management and strategic planning
- Success in creating good image of the city
- Cultural and social potential
- High investment attractiveness

**Major challenges:**
- Improving the efficiency of public institutions
- More decisive actions in the area of public security
- Issues related to further financing of development; skilful utilization of instruments which do not increase debt
People are the most important and the most valuable resource determining a city’s chances for development. There is no substitute for people’s skills, their willingness to work, and the business and social activity they engage in.

Why do we measure Human and Social Capital?

People are the most important and the most valuable resource determining a city’s chances for development. In the modern world, it is possible to buy almost anything. You can rent an advertising agency to promote a city, find investors to provide funds for infrastructure development, and build efficient administration and online systems for providing services to inhabitants. But there is no substitute for people’s skills, their willingness to work, and the business and social activity they engage in. In the longer term, it is the people – the Human and Social Capital, being a set of characteristics describing the human resources – that determine a city’s economic development and its success. Human Capital is typically associated with intellectual resources while Social Capital describes the quality of the civil society. It is easy to imagine that the level of Human Capital – people’s intellectual capabilities and skills – translate directly into economic development.

However the reality is a little more complicated. Human Capital influences the community’s economic development and improves its quality of life in less obvious ways, such as reducing corruption, fostering long-term investment and disseminating knowledge, preventing abuse of common goods, speeding the investment process (by reducing the probability that administrative decisions will be appealed). In addition, through development of the third sector, it is conducive to greater social control over actions taken by authorities. (Source: Social Diagnosis 2009.)

Measuring Human and Social Capital (HSC)

The Human and Social Capital score constitutes an aggregate measurement of the value of a city’s human resources, taking into account the following five characteristics: demographics, education, and citizen’s attitudes towards the free market, labour market activity and civil society engagement.

HSC: demographics

The demographic make-up of a city is one of the most important determinants of its Human and Social Capital and is, in the first instance, defined by its age structure and the number of very young children. The basic demographic criteria used to measure HSC include the demographic burden ratio, the share of elderly in the city’s population, and the number of births per 1000 inhabitants.

Wrocław’s demographic situation is one of the best in the country. The demographic burden ratio is 0.51 (which means that for each two persons in the employment age there is a little more than one younger or older person), and it is one of the lowest ratios recorded in the analysed large Polish cities. The share of persons in post-employment age (19.2%) is slightly above average for the analysed cities, while the childbirth rate is 9.9 children per 1000 inhabitants.

With the average level of HSC of 100 in terms of demographics for the 11 compared cities, the value of HSC in Wrocław to that effect is at the level of 100.7.
In a modern economy, the quality of the human resources of a population is determined largely by its skills. Measuring this therefore involves measuring the average education of the inhabitants: the better their education, the higher the city's attractiveness in terms of investing and conducting business activity.

With the importance of the information society and the knowledge-based economy, it is impossible to ignore such aspects of education as knowledge of information and communication technologies, knowledge of foreign languages, and access to education and training in these areas when discussing Human Capital attainment. However, in order to avoid the repetition of similar indicators for the individual Capitals, these aspects have been taken into consideration in the Investment Attractiveness Capital and Technical and Infrastructural Capital.

Here, HSC is measured in terms of share of persons with university and high school educations, the number of high school and university students per 1000 inhabitants, and newspaper readership (the percentage of people who regularly read one of the three main national dailies). These last two were introduced in this year’s survey, which reduces the direct comparability of HSC with earlier reports.

**People**

**HSC: education**

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Wroclaw's situation in terms of education of the general public in comparison with other 11 cities is very good. The share of people with university education is 20.3%, which is one of the best ratios in the country (the average value is 18.6%), and the high school graduation rates are similarly high. It is definitely worth noting that the city has one of the highest newspaper readership ratios (after Warsaw). Wroclaw is also one of the leaders with regard to the ratio of the number of students to the number of inhabitants.

With the average level of 100 for the 11 cities, the value of HSC for Wroclaw in terms of education is at the level of **109.4**.
Wrocław’s situation to that effect is good in comparison with other cities. More accepting attitudes towards free market economy are observed only in Poznań, Szczecin and Warsaw. The share of persons conducting business activity in Wrocław is 15.4% and it is one of the highest in the country. This confirms the common opinions of high work ethic and entrepreneurship of the city’s inhabitants.

**HSC: attitudes towards the free market economy**

Development is also affected by the attitude of citizens towards the market. In locations where people are more pro-market, they adapt more easily to the demands of the market and are more economically active and successful.

HSC in this area is measured by the proportion of persons engaged in business activity.

With the average level of 100 for the 11 cities, the value of HSC in Wrocław in terms of pro-market attitudes is at the level of 110, which is one of the best results recorded in the analysed cities.

**HSC: labour market**

The labour market conditions, from a Human Capital perspective, principally relates to the availability of employees with skills sought by employers. In a city with high Human Capital, there should be low unemployment.

As such, the HSC indicator regarding the labour market is measured by the unemployment rate, both overall and that specifically for youth.

The situation on Wrocław’s labour market may be considered favourable as compared to other cities, and the unemployment rate is 4.2% i.e. it is below average of 5.1%.

**Overall assessment of HSC with regard to labour market is very favourable.**

With the average level of 100 for the 11 cities, the value of HSC in Wrocław is at the level of **114.9**.
HSC: civil society engagement

A high level of engagement in civil society indicates high Social Capital – people are involved in common interest activities.

HSC with regard to civil society engagement is measured by access to Internet resources and average voter turnout (parliamentary elections in 2007, presidential and local government elections in 2010).

The engagement of the civil society in Wrocław is moderate. The activity of non-governmental organizations on the Internet is slightly above average. The voter turnout during elections is close to average (55.55% vs. the average of 56% for all cities).

With the average level of 100 for the 11 cities, the value of HSC in Wrocław to that effect is at the level of 100.2.
**Wrocław’s Human and Social Capital**

In comparison with other large Polish cities, Wrocław’s HSC should be considered well developed. The inhabitants’ attitudes towards free market are positive and the situation on the labour market is good, which, in combination with relatively favourable demographic situation and high share of people with university education and students, creates several opportunities for development. The social activism of the inhabitants is slightly above average for the 11 analysed cities.

*With the average level of 100 for the 11 cities, the value of Wrocław’s total Human and Social Capital is at the level of 107.0.*
**Quality of Life**

**Why do we measure Quality of Life Capital?**

If a city wants to succeed economically in the long term, it must provide good living conditions for its inhabitants. A high quality of life in a city will cause people to decide to live and work there, including those who will reject offers to move to different domestic or foreign cities, and investors will be more inclined to relocate business activities. A high quality of life also leads to pride and satisfaction with one’s own city, while a low quality of life yields disillusionment and frustration.

The quality of life in the city is made up of many factors. The condition of the natural environment is one important aspect, as are access to good quality medical and educational services. A sense of security is of tremendous importance. The best entertainment centres and services cannot guarantee that inhabitants and guests will feel comfortable in the city if a sense of security is lacking.

**Measuring Quality of Life Capital (QLC)**

Quality of Life Capital largely determines the extent to which the city is considered a good place to live and work. It is the most debatable capital (besides Culture and Image Capital). It is also the most difficult to present as a single ratio. In the Polish market there are several indicators that pertain to various aspects of the function of a metropolitan area. These include for example the number of cultural events or hotels of a given standard.

In our reports, these are covered in the Culture and Image Capital or the Investment Attractiveness Capital.

However, considering the importance of healthcare and sense of security to the overall quality of life, we decided to stay with the definition that was adopted four years ago, which is also consistent with PwC’s global methodology. This also allows direct comparability with the previous edition of these reports.

Hence, when measuring QLC, we take into account four aspects of quality of life: the condition of the natural environment, level of medical services, level of educational services and sense of security.
Quality of Life

QLC: condition of natural environment

Cities with a good natural environment give their inhabitants a much greater sense of comfort and satisfaction with life. It should be remembered that in the field of environmental protection – as in many other fields – commonplace opinions are difficult to overcome, and spectacular failures or successes (such as appearance of fish or bird species which have not been seen for many years) very frequently have greater impact than technical measurements of environmental pollution.

The selected indicators that we use to measure QLC in terms of the condition of the natural environment include air pollution measurements (emission indices for various types of gaseous and dust pollutants), number of cars per km² in the city limits, capital expenditures on environmental protection and percentage of treated sewage.

From the standpoint of condition of natural environment, Wrocław’s situation is relatively good. It is true that Wrocław treats 100% of sewage, however, on the other hand, the car traffic density ratio, which is one of the highest in Poland (1272 cars per km² vs. the average of 1199 in the 11 cities), causes substantial exhaust emissions and air pollution.

With the average level of QLC in terms of the condition of the natural environment of 100 for the 11 cities, QLC in Wrocław in this regard is at the level of 103.2.

QLC: healthcare quality

The availability of medical services of adequate quality is one of the factors that exerts considerable influence on the assessment of living conditions in the city. While certain problems in this area are common to all Polish cities, individual cities also fare very differently.

The basic ratios selected for measurement of QLC in the area of medical services include the number of physicians per 1000 inhabitants, infant mortality rates, and the ranking of healthcare centres (by the Centre for Monitoring Quality in Healthcare and “Rzeczpospolita”), as well as the average waiting time for an appointment with a given specialist physician. The last two ratios were not available when the previous edition of this survey was carried out.

The availability of medical services of adequate quality in Wrocław is above the average level for the 11 cities. Infant mortality rate, which is considered the most synthetic indicator of general public’s health and healthcare’s functioning, is on the relatively low level in Wrocław and it amounts to 5.1 deaths per 1000 live births (the average rate for 11 cities is 6.0). In the rankings of healthcare facilities of the analysed cities, Wrocław ranks second only to Katowice, and the waiting time for an appointment with the specialist physician does not differ significantly from the national average. However, the number of physicians per 1000 inhabitants is below average.

With the average level of 100 for the 11 cities, the value of QLC in Wrocław in terms of healthcare is at the level of 105.3.
Quality of Life

QLC: education quality
The quality of educational services is usually one of the first issues considered when assessing the overall quality of life in a city. Good schools and highly ranked universities attract new inhabitants and are important when making the decision to move, either temporarily or permanently (which results in greater availability of highly skilled employees). Good education also facilitates the city’s social and economic progress due to the fact that it positively influences its development prospects. Active innovation and education policy is one of the main priorities for sustainable development specified by the EU document referred to as the Leipzig Charter. According to this document, cities are centres for the creation and transfer of knowledge, and the sustainable development of metropolitan areas should take into account the need to continuously increase the level of education. The indicators used for measuring QLC include scores recorded by the city’s most important universities in the university rankings (in “Perspektywy” magazine), the success rate of high school-leavers in 2009, and results recorded on 6th grade exams and junior high school-leaving exams in 2008. This indicator is new in this edition of the survey.

QLC: sense of security
Sense of security encompasses many dimensions: physical security of the inhabitants (the crime rate and road traffic safety), protection from natural disasters and accidents, and a sense of security in terms of access to healthcare and job opportunities are all equally important.

While measuring QLC for sense of security we limited ourselves to the area of physical security and used the following indicators: number of recorded crimes and number of traffic accidents per inhabitant.

From the standpoint of quality of educational services, Wrocław’s situation is very good. The city ranks third (behind Warsaw and Kraków) in the rankings of universities, and the passing rate of the high school-leaving exams, which is at the level of 86.9%, is the highest in the country. The quality of education on the elementary and junior high level is also above average for the recorded cities. With the average level of 100 for the 11 cities, the value of QLC in Wrocław with regard to quality of education is at the level of 109.4. Numerous Shared Services Centers, which are located throughout Wrocław, are the evidence for availability of highly-qualified employees.

From the standpoint of sense of security, Wrocław does not differ significantly from the average level for the 11 cities. The number of traffic collisions and accidents is one of the lowest (it is significantly below the average value for the cities), while the number of cars per km² is above average. The data indicate relatively high number of crimes recorded in the city in the period January-June 2009, however it should be remembered that this may result from a tendency to report even the smallest incidents.

With the average level of 100 for the 11 cities, the value of QLC in Wrocław with regard to security is at the level of 99.6. At the same time it should be noted that out of 7 largest Polish cities, only Warsaw is above average. Also above average are smaller cities such as Białystok, Lublin and Bydgoszcz, in which the sense of security is traditionally greater.
**Wroclaw’s Quality of Life Capital**

Overall evaluation of the Quality of Life Capital in Wroclaw is definitely positive. From the standpoint of quality of education, the city ranks high on the map of educational centres. It also fares very well in the area of providing good quality healthcare services and in the area of natural environment; it fares slightly worse in the area of security.

It should be noted that the four analysed areas are very evenly developed. The three areas are on the level exceeding the average value for the 11 analysed cities, and the fourth one is close to average.

Currently, the biggest attention should be dedicated to the area of security (also with regard to other large cities analysed in our survey), along with development of other areas.

*With the average level of 100 for the 11 cities, the value of Quality of Life Capital in Wroclaw is at the level of 104.4.*
Why do we measure Culture and Image Capital?

In the modern world and in the modern economy, decisions to purchase goods and services are made not only on the basis of actual values, but also on the basis of our opinions about a product. A product’s brand is an important aspect of this: its prestige, quality and the trust we have in it. A similar principle holds true for cities. In addition to the things that a city offers its inhabitants and companies, our opinion of it, i.e. its image, is very important. A city that enjoys the image of a robust, friendly and interesting place with a good standard of living will attract both tourists and investors.

The image of the city depends on many factors. Since the previous edition of “Reports on major Polish cities”, we have seen tremendously positive changes in Culture and Image Capital at the strategic and qualitative level. In most of the cities, image is no longer shaped by accident but is, to much greater extent, the result of more or less consistently executed promotional strategies. Positive results for cities that started regular promotional activities early can be clearly seen throughout Poland and Europe. For the others, changing the image among inhabitants, investors and tourists will necessarily involve long-term efforts. In this report we decided to avoid a detailed analysis of the quality, effectiveness and consistency of activities conducted by individual cities in the image-building area, as such processes are to great extent evaluated subjectively. For the purposes of this publication, we limit ourselves to indicators which are objective and measurable.

As this report is being prepared, some of the cities being analyzed are facing tremendous opportunities to shape their image in Europe. Firstly, Poland will have the presidency of the European Union in the second half of 2011, and subsequently host Euro 2012. In addition, these reports were being compiled, it became known that five Polish cities have qualified to compete further for the title of European Capital of Culture. For Gdańsk, Katowice, Lublin, Warsaw and Wrocław this means very intensive activities in the area of Culture and Image Capital.

However, we see participation in the qualifying round itself as important – it has the potential to start a debate on the how the candidate cities should promote their cultural attributes and may result in several new initiatives and a comprehensive approach to development in this area.

As part of city strategies for development and promotion, Polish cities have been increasingly considering the sustainability of their development strategies. This is of key importance to the cities’ development, their image, and the quality of life they will be able to offer in the longer term. Polish cities are increasingly beginning to consider sustainable development issues in a comprehensive and long term manner; this applies to both larger cities and smaller townships. The tasks related to implementation of principles and strategies for sustainable development are also increasingly frequently reflected in lists of duties and tasks for the individual departments of local government bodies.

In sustainability terms, Polish cities are also active internationally: 10 cities signed the mayors’ agreement declaring limits on CO2 emissions, and 12 cities (all those covered by this analysis plus Rzeszów) belong to the EuroCity network which includes the largest European cities and focuses on challenges facing the European Union, including climate change and social exclusion.
Culture and Image Capital is a measure of how the city is perceived – by its inhabitants as well as outsiders.

**Measurement of Culture and Image Capital (CIC)**

Culture and Image Capital is a measure of how the city is perceived – by its inhabitants as well as outsiders. Like many of the capitals, it can give rise to lively debates and strong emotions, and the range of potential indicators that can be used to attain it is very broad.

What is important is the fact that even a broad selection of available indicators does not always mean a the value obtained is precise, making the analysis extra difficult. We preserve the methodology adopted four years ago and, in measuring CIC, take into account three characteristics: general opinions of the city, high culture, and the culture of daily life.

**CIC: general image of the city**

General image consists of the city’s overall recognisability, its generally recognized attractiveness, as well as the perception of its values by its inhabitants (e.g. traditions of honesty and hard work).

The basic indicators we have used to measure CIC as regards general image are: the number of “good associations” with the city on the Internet (e.g. number of websites with the city’s name and the word “culture” in them), number of tourists visiting the city, the number of words a city warrants in a typical tourist guide to Poland and tourist opinions expressed on online travel sites, and the observed rate of entrepreneurship (a new indicator for this edition of the survey).

With regard to overall image, Wrocław’s situation looks very good. Wrocław is relatively well positioned on the Internet, it is mentioned in the tourist guides and it attracts many Polish and foreign tourists. Wrocław really stands out in terms of entrepreneurship (high ratio of persons conducting business activity), which strengthens its image as a dynamic and business-friendly city.

**With the average level of CIC of 100 in terms of overall image for the 11 cities, the value of CIC in Wrocław is at the level of 110.3.**
**CIC: high culture**

A city's image largely consists of its activity in the area of so-called high culture. Although a relatively small percentage of inhabitants and guests use such services, these are significant cultural events that are more likely to be publicized in the opinion-making media and shape the city's image as an interesting, attractive and appealing place.

The basic indicators selected for measuring CIC with regard to high culture include the city's culture budget, the number of concerts, film festivals, theatre festivals and classical music festivals, as well as concert attendances (all per number of inhabitants).

Wrocław's budget earmarked for culture (per one inhabitant) is one of the highest in the country, which gives the city plenty of opportunities to organize many cultural events. Therefore it is not surprising that the number of concerts in Wrocław is considerably higher than the average value for the 11 analysed cities. After the success of events such as Wratislavia Cantans, Era Nowe Horyzonty (Era New Horizons), Przegląd Piosenki Aktorskiej (Stage Songs Review), Jazz nad Odrą (Jazz on the Oder) or Międzynarodowy Festiwal Dialog Wrocław (International Theatre Festival Dialog Wrocław), the city's ambition should be to continue the development of cultural potential.

*With the average level of 100 for the 11 cities, the value of CIC in Wrocław in terms of high culture is at the level of 123.8.*

**CIC: daily cultural life**

A city's inhabitants and guests form an impression of a city on the basis of the daily cultural life: the selection of restaurants, hotels, number of cinemas, number and quality of parks, and number of popular mass events.

The indicators used to measure this aspect of CIC include: the number of cinema seats, number of restaurants, number of sport stadium seats (including those under construction, including planned Euro 2012 facilities) and the green areas within the city's administrative boundaries (all per number of inhabitants).

Large number of cinemas and restaurants as well as green areas make Wrocław a nice place to live, although the ratios of daily life culture rank it near average for the analysed metropolitan areas. The city has smaller number of green areas in comparison with other cities (the rankings of the cities in that regard changed significantly after extending the analysis to 11 cities and adding smaller cities which have greater number of green areas). In addition, taking into account the current number of stadium seats, in terms of overall attractiveness of the daily culture the city ranks only slightly above average (this situation will change after the stadium in Maślice is completed).

*With the average level of 100 for the 11 cities, the value of CIC in Wrocław in terms of daily life culture is at the level of 100.8.*
**Wrocław’s Culture and Image Capital**

The city still has significant potential for intensive development of Culture and Image Capital. The activities in this area require constant work and funds in order to solidify the desirable result, especially if other cities are taking similar actions. The city's strength includes, above all other things, a deeply-rooted tradition of entrepreneurship and well-developed activity in the area of high culture, which attracts tourists and business representatives to Wrocław.

However, taking into account Wrocław’s potential, the city may offer even more to its inhabitants and guests. The consistent execution of actions in the area of daily life culture may be very significant to the overall assessment of the discussed Capital. Wrocław should boldly raise the bar and develop the potential of Culture and Image Capital not only on the Polish but also on the international scale.

**With the average level of 100 for the 11 cities, the value of Wrocław’s Culture and Image Capital is at the level of 111.6.**
Institutions

**Why do we measure Institutional and Democratic Capital?**

Institutional and Democratic capital determines the degree to which institutions which manage the city function effectively, e.g. city authorities, public administration and maintenance services. It also reflects the level of civic activity of inhabitants and effectiveness of democratic mechanisms, as well as the level and effectiveness of communication between the authorities and the society.

In 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 their duties more effectively and have a stronger social mandate for managing the city, while the activities of the citizens supports them on the road to achieving common goals. This facilitates the achievement of success in terms of economic and social development.

**Measuring Institutional and Democratic Capital (IDC)**

The Institutional and Democratic Capital of a city is made up of the quality of the authorities' actions, the activities of the inhabitants, and communication between the authorities and the people.

IDC is measured in three areas: the effectiveness of municipal institutions (authorities and public administration), their performance of the basic function of ensuring public safety, and non-governmental organization activity.
**Institutions**

**IDC: administrative effectiveness**

Opinions regarding the city’s authorities and administration are based on the experiences of inhabitants and visitors. These judgments are influenced by the way the authorities communicate with the society: whether citizens are included in strategy development, and whether explanations of the problems and goals of various activities is provided. A constructive dialog with inhabitants contributes to both a streamlined process of strategy development as well enhanced performance, since a document developed in a such a manner will better take into consideration the problems facing inhabitants and offer solutions.

The primary indicators used to measure IDC in terms of the effectiveness of municipal institutions are: administration expenses (compared to the population), indicators of the effectiveness and availability of offices indicated by waiting times for entry in the economic activity register, office opening hours that reflect citizens’ needs, and opportunities to use online office services (new in this edition), and the percentage of votes received by the incumbent president in the local government elections of 2010 (also new in this edition).

Expenses on public administration per capita are relatively high, which, however, translates into merely moderate effectiveness of the municipal institutions. Accessibility of offices in Wrocław is estimated at a level slightly below the average for the analysed cities, but the level of development of e-administration, which means the opportunity to use web-based office services, is one of the highest in Poland. In the city with a high percentage of people conducting business activity, the waiting time for the entry in the economic activity register is definitely longer than in many of the other metropolises. A very high percentage of votes given to the incumbent president in the local government elections of 2010 indicates that the inhabitants favorably assess the efficiency of the municipal institutions.

*With the average level of 100 for the 11 cities, Wrocław’s IDC in terms of effectiveness of administration is estimated at 107.0.*
Institutions

**IDC: public safety expenditure**

Assessment of municipal institutions is largely based on their actions in the crucial area of safety: expenditure on law and order services, and the extent to which people trust these services. It is worth noting that citizens’ assessments of authorities’ efforts in this area can be separate from their actual perception of security (taken into consideration in the Quality of Life Capital) – in other words, there are cities with a high crime-rate despite the considerable efforts of the authorities, as well as cities where both expenditure on safety and crime-rates are low.

In measuring IDC in terms of public safety, the following indicators were used: the city’s expenditure on safety, the number of police officers and guards, and the crime detection rate.

**IDC: non-government organisation activity**

A high level of non-government organization activity contributes to the better operation of democratic mechanisms, increased scrutiny of authorities’ actions on the part of citizens, fostering of partnerships between the city’s inhabitants and its authorities, as well as the increased involvement of citizens in working out and implementing a city’s development strategy.

IDC in terms of non-government organization activity is measured by analysing Internet sources to ascertain the number and level of activity of non-governmental organizations registered in the city.

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**Expenses on safety in Wroclaw are not at a high level as compared to the other 10 cities. The city is also slightly below the average for the analysed cities both with regard to the number of police officers and guards and crime detection rate.**

**With the average level of 100 for the 11 cities, IDC in terms of expenses on safety for Wroclaw is at the level of 93.3.**

**In the area of activity of non-governmental organizations, Wroclaw is at an average level for the 11 analysed cities. There are 5 organizations per 1,000 inhabitants, whereas the average in the remaining large Polish cities is nearly 5. Activity of the Wroclaw organizations on the Internet is also at the average level for the analysed metropolises.**

**With the average level of 100 for the 11 cities, Wroclaw’s score with regard to activity of non-governmental organizations is at the level of 100.4.**
**Wrocław’s Institutional and Democratic Capital**

To ensure Wrocław’s further dynamic development, there is a need to continue expenditure to increase public safety and effectiveness of offices. Local government organizations are an ally in the growth of Democratic Capital in the city as they may contribute to further development of civil attitudes and social involvement.

With the average level of 100 for the 11 cities, Wrocław’s Institutional and Democratic Capital is 100.2.
Infrastructure

Why do we measure Technical and Infrastructural Capital?

Effective infrastructure – including efficient transport, housing resources, services infrastructure, media and utilities (both more traditional such as power and water, and modern such as telecommunication and the Internet) is a prerequisite for creating an efficiently functioning metropolis where people can live and do business. The advantages that flow from well-developed Technical and Infrastructural Capital directly influence the other Capitals, in particular Quality of Life, Human and Social, and Investment Attractiveness. Without sufficient, or sufficiently developed, Technical and Infrastructural Capital, progress in the other areas will be considerably slower than in cities with well developed infrastructure, and people’s quality of life deteriorates, the city’s image worsens, and its attractiveness as a place for locating investments diminishes.

For these reasons, we regard Technical and Infrastructural Capital as warranting special attention.

It is important to remember that to have effective infrastructure in place requires not only the presence of concrete resources such as transport systems, buildings, equipment and installations, but also a level of organizational efficiency in management and administration that allows these to be fully utilized. The actual Technical and Infrastructural Capital level often depends also on the efficient operation of the markets for services, media and utilities and housing. Renting or buying appropriate housing is as difficult as in a city with no housing resources available as it is in a city with extensive housing resources but an inefficient market.

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 the experiences and observations of the city’s inhabitants and visitors. Negative opinions that gain traction can destroy a city’s image, even it does well in other areas.

In our opinion, there are four kinds of infrastructure crucial for successful development: transport infrastructure, energy and IT infrastructure, housing infrastructure, and trade and services infrastructure.
**TIC: transport**

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

The indicators used to measure TIC for transport are: density of the road network, number of bicycle lanes, number of public transport seats in relation to the population, as well as the number and quality of the city’s connections to the outside world: the number of direct flights (airports within a 100 km radius), time taken (by train) to reach the five largest Polish cities (a new indicator in this edition of the survey), access to the European motorway network (a new indicator in this edition of the survey). In combination, these indicators give us a general idea of the quality and development of the city’s transport infrastructure.

With regard to transport infrastructure, Wrocław belongs to the best developed cities in Poland (immediately behind Warsaw and Katowice). Apart from an easy and fast access to the European network of highways, the city’s communication with foreign countries is ensured by direct flights to several dozen European cities.

The situation of travelers who decide on railway transport, however, does not look so good. Because of Wrocław’s remote location away from the majority of Polish metropolises, the city’s indicator of the time of train journey to the major Polish cities is slightly below the average for all the analysed cities. On the other hand, local transport in Wrocław is remarkable since only Warsaw can boast of a greater number of seats in public transport per capita. A well developed network of public transport may be a good alternative to car traffic, which is more difficult due to the less dense road network. Finally, it should be added that the city has a very extensive network of bicycle lanes.

*With the average level of 100 for the 11 cities, the value of TIC in terms of transport for Wrocław is at the level of 122.2.*
The availability of low-priced apartments or houses in the city depends both on the number and quality of housing resources in the city and on the efficiency of the real estate market.

**Infrastructure**

**TIC: apartments**

The availability of low-priced apartments or houses in the city depends both on the number and quality of housing resources in the city and on the efficiency of the real estate market. A more efficient market will facilitate the attraction and retention of 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: number of housing units per 1,000 inhabitants, quality of the housing resources (measured as percentage of units with bathrooms), the growth rate of housing resources and average rents on the secondary market.

In Wrocław, there are 410 apartments per 1,000 inhabitants, which is slightly below the average in the 11 analysed cities (413 on average). With considerable apartment shortages, rental rates and apartment purchase prices are unsurprisingly quite high – higher rents can be found only in Warsaw and Kraków. What is important, however, is that the rate of increase in the number of new apartments in the years 2004-2008 was relatively high in Wrocław, reaching the level of 5.9% (against 5.1% on average in the 11 cities).

With the average level of 100 for the 11 cities, the value of TIC in terms of housing resources for Wrocław is at the level of 99.2.
**Infrastructure**

**TIC: media and utilities**

Without efficiently and reliably supplied media and utilities, it is difficult for a city to establish an image as a good place to live, and above all, a good place to do business. This is true both for the traditional utilities (power, gas, water) as well as modern media mechanisms (telecommunication, internet), which afford innovative growth opportunities and make it possible for citizens to make full use of their knowledge and skills.

The following indicators were used to measure TIC in this respect: the percentage of people using the water supply and sewage networks, power consumption by households (which is associated with the number of durable goods in a household), the estimated number of Internet users (per 1,000 inhabitants), and the percentage of the city area covered by free access to wireless Internet (the last two indicators are new in this edition of the survey).

Wroclaw clearly opens to new technologies, at the same time gradually eliminating some infrastructural deficiencies inherited from the past. The number of Internet users in Wroclaw is relatively high as compared to the analysed cities – the web is used more widely only in Warsaw, Szczecin and Poznań. On the other hand, if we analyse the area with free access to the Internet, Wroclaw is definitely below the average for the 11 analysed cities.

With regard to power consumption, or indirectly the extent of use of durable goods, Wroclaw is slightly above the average for the analysed metropolises. On the other hand, the percentage of people having access to the water supply and sewage networks in Wroclaw remains at one of the lowest levels in Poland, before Szczecin and Łódź.

In spite of large expenditure on expansion of the water supply and sewage networks, further investments in this area are needed.

*With the average level of 100 for the 11 cities, the value of TIC in terms of media and utilities for Wroclaw is 98.9.*
Infrastructure

**TIC: trade and services**

Market services, especially trade, financial, hotel and catering services, create the market infrastructure necessary for ensuring a well functioning economy. These services are usually highly correlated: cities which offer e.g. large, modern shopping spaces also typically offer other services of high quality.

When measuring TIC for trades and services, we used the following indicators: area of modern shopping space, number of ATMs, and number of shops, hotels and restaurants per 1,000 inhabitants.

Trade and services in Wrocław are very well developed, which is confirmed by each of the assumed indicators. The city has highly developed shopping space, with an area of 840 m² per 1,000 inhabitants (a higher value was achieved by Poznań only). Similarly, the number of shops, restaurants and hotels in Wrocław is very high. The number of ATMs available in the city per capita is also remarkable – here Wrocław is second only to Warsaw. Quality of trade and services infrastructure in Wrocław is at one of the highest levels in Poland (behind Poznań and Kraków).

With the average level of 100 for the 11 cities, Wrocław’s IDC in terms of trade and services is at the highest level among the analysed cities, i.e. 122.6.
**Wrocław’s Technical and Infrastructural Capital**

Next to Warsaw and Kraków, Wrocław remains one of the best developed Polish cities with regard to broadly conceived infrastructure. What deserves to be mentioned is fast development of road infrastructure and the city must be equally successful now with regard to sports facilities. Wrocław’s strongest aspects include transport, particularly considering international connections (the long-standing problem, though the city authorities cannot do much in this regard, is the quality of railway and road connections with Warsaw) as well as trade and services infrastructure. Apart from actions to improve housing resources and access to the water supply and sewage networks, the city should continue performing investments connected with infrastructure for car traffic. What should be also noticed is expansion of freely available Internet as an additional element of what the city offers to its inhabitants and visitors.

With the average level of 100 for the 11 cities, Wrocław’s Technical and Infrastructural Capital equals 110.7.
Why do we measure Sources of Finance Capital?

Sources of Finance Capital refers to the ability of a city to access the funds necessary for financing its own development. Such funds can come from various sources: tax revenues, government subsidies, EU funding, revenues from issuing securities or contracting loans. They may also include private sector funds that are used for financing undertakings necessary for the city’s development.

To develop successfully, present-day cities need to make investments that deliver efficient infrastructure, desired quality of life, and effective operation of public institutions. A good development strategy is not enough – sufficient funding is required to achieve the goals. This second edition of the “Reports on major Polish cities” is being published at a time when the world economy is still in crisis, and as Poland is struggling with an economic slow-down resulting in decreased budget revenue.

While investment is a desirable goal, it’s also a particularly difficult one to achieve nowadays. Admittedly, we do have access to considerable financial resources from the European Union budget. However, to be able to take full advantage of these, we need to find considerable funding of our own for co-financing. Taking a long-term view, city development requires us to urgently modernise infrastructure and improve public services, despite the current economic downturn. At the same time, however, increased risk aversion among financial institutions has caused them to view large investment projects with a new caution and distrust. Such a complex economic situation makes acquiring the necessary funding for city development difficult. Costs are also increasing, as a result of the imposition of higher margins by financing institutions, as well requirements for additional guarantees. A limited budget and continuously rising costs will mean that there simply might not be sufficient funds for some investments.

Cities with high SFC value are those that are able to source the necessary amounts of funding, drawing on various sources, so as to achieve the best results with as low funding acquisition costs as possible. In an environment as complex as the current one, Sources of Finance Capital becomes particularly important; maintaining it at a high level is decidedly more challenging than during the boom times. That is why in this edition of the reports we decided to focus on this Capital, and pay more attention to the methods of finance acquisition that are less onerous to the local government budget.

Measurement of the Sources of Finance Capital (SFC).

SFC should be understood as the ability of cities to finance projects essential to their growth. Well developed SFC shows that a city is able to acquire sufficient funds for such purposes, from diverse sources.

The following four aspects are analysed for the SFC assessment: tax base (the city’s GDP), budget financing, funds from the financial market (loans), and EU funds. We would like to emphasize that, in the long term, Polish cities should aim at engaging more private sector funds, mainly in the form of public-private partnerships.
**Finances**

**SFC: revenue base**

The principal revenue base of a city consists of the income obtained by its residents. Local taxes may be levied on such income in varying degrees, depending on the policies adopted. In general, the higher the economic activity of the city, the higher the current and future revenue of the city’s budget, which allows for financing various investment projects.

SFC assessment in terms of the revenue base is done based on GDP per capita.

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In 2008 (most recent data available from the Central Office of Statistics), Wrocław’s GDP per capita amounted to 154% of the average GDP per capita of Poland.

*With the average level of 100 for the 11 cities, the value of SFC in terms of revenue base for Wrocław is **97.9**.*

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**SFC: budget financing**

Budget financing comprises the funds that a city has in its own budget (the sum of its own funds, and the subsidies and funding received by the city from the central budget). The main benefit of financing development from the budget is that it does not involve any increase in the city’s debt. There are, however, also certain drawbacks resulting from such financing. Budget funds are always limited to some extent. Moreover, in the long run, providing extensive funding from the city’s own budget can only be done through applying high local charges and taxes. This in turn may negatively influence the economic climate of the city.

The SFC for budget financing comprises the total revenue of the city’s budget (including subsidies from the central budget), its own revenue (in both cases per capita) and the share of capital expenditures in the city’s budget.

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In 2009, the total city revenue in Wrocław amounted to PLN 2.7 billion, which places the city just above the average of PLN 2.6 billion. The share of capital expenditures in the total spending in Wrocław is the highest in Poland, and amounted to 34.6% (while Poznań, which comes second, allocated 28.4% of spending to investment).

*With the average level of 100 for the 11 cities, the value of SFC in terms of budget financing for Wrocław is **128.2** (only Warsaw achieved a better result in this aspect).*
Finances

SFC: market financing

Funds originating from the financial market may be acquired by contracting loans from banks or issuing municipal bonds. Financing development with funds from the financial market is beneficial, as it provides the opportunity for investments that could not be covered from budget funds to be carried out. The negative to this is increasing city debt. However, when analysing Polish city debt levels, it should be noted that debt and investment are usually correlated. This means that low debt levels may reflect a low level of investment.

High debt levels are negative if the funds acquired through loans are for current expenditure or investment projects with no economic justification. Using loans to finance projects that help economic development may be correct in the long-term; however, in the initial analysis phase, cities should consider all the forms of financing available.

SFC measurement in terms of market financing includes: the city’s debt to revenue ratio for 2009, i.e. the latest audited data available (pursuant to the Public Finance Law, the proportion should not be higher than 60%) and the city’s credit rating.

Wrocław’s situation in terms of market financing seems to be the most difficult among all the cities based on the criteria adopted. Projects currently underway in Wrocław financed from external sources result in relatively high level of debt. The total debt amounts to 67% (the highest level among the analysed centres). Such state of affairs limits Wrocław’s potential for further debt contracting. The city has Fitch agency rating BBB+ (which represents ability to repay instalments and interest with more possibilities to lower the values in case of a change in economic trend or political situation).

With the average level of 100 for the 11 cities, the value of SFC in terms of market financing for Wrocław is 50.0 (next to Kraków, the lowest among the surveyed cities). We would like to stress one more time that the high level of debt results from many investment projects.

A way to change this situation may be further actions aimed at completion of the currently executed projects on the basis of non-budgetary financing sources.

Financing development with funds from the financial market is beneficial, as it provides the opportunity for investments that could not be covered from budget funds to be carried out.
Cities can use development funds as structural resources thanks to Poland’s membership of the European Union.

Finances

**SFC: EU funds**

Cities can use development funds as structural resources thanks to Poland’s membership of the European Union. These are non-refundable grants covering the major part of project costs serving the goals of regional development and quality of life improvement. Access to such funds is very beneficial for the city (although finding the city's own share for co-financing may pose a problem). Acquisition of EU funds is, however, a fairly complex process and the procedures related to correct use of such funds tend to be burdensome.

The SFC related to EU funds is based on the total amount of money from EU funds used for co-financing current and planned projects (in the budgets of 2007-2013, on the basis of data from the Ministry of Regional Development, correct as of June 2010, including projects for which contracts have been signed with the Municipal Offices and municipal companies), on a per capita basis.

Wrocław turned out to be very successful in acquiring EU funds in the recent years. In this respect, the city obtained a result above the average. On a per capita basis, Wroclaw places in the lead of the analysed cities in terms of the amount of EU funds acquired.

*With the average level of 100 for the 11 cities, the value of SFC in terms of EU funds for Wroclaw is 110.3.*
SFC: public-private financing

Public-private funds are those that the city gains through contracts with private investors with, as a result, projects important for the city’s development being financed by the private sector. The use of public-private financing should be treated as the reflection of skilfulness of a city in acquiring funds for development. When preparing our reports four years ago, we hoped that this index would be included in the SFC assessment in this next edition. However, despite high hopes and the potential of PPP development in Poland, public procurement where a private partner is selected on the basis of principles set out in the Public-Private Partnership Act is still not carried out in numbers sufficient for making such an assessment. A high number of tender announcements for private partner selection (PPP or concessions) published recently (on average 40 announcements per year were published in 2009-2010) constitute proof that this form of project execution is more often being considered.

A significant increase in the interest shown by private entities in projects in the form of PPP or concessions has also been noticeable in the last two years. Regrettably, in only a few cases was the public contract award procedure and selection of the private partner successful (e.g. construction of underground car park in Wrocław and Kraków, construction of indoor swimming pool in Oława, development of the lakefront in Chełm). The majority of tender procedures are cancelled due to lack of interest among private partners. This lack of interest results from poor project preparation and a tendency of the public sector to transfer most of the risk to the private partners. In practice, it is hard to talk about the PPP projects that are already underway, and we decided not to include public-private financing in the SFC assessment.

At the same time, we would like to emphasise the importance of the future development potential of Polish cities and in the appropriate parts of the reports we indicate how individual cities are approaching forms of infrastructure project financing that are still fairly new to our market.
Wrocław’s Sources of Finance Capital

Total value of the SFC for Wrocław is relatively favourable in comparison to the other cities, although the given ratios differ significantly. The city secures EU funds effectively and manages the budget well (in these aspects the city’s score is significantly above the average value). On the other hand, numerous investments carried out in the city generated relatively high debt and brought certain limitations in acquiring finance resources from the market. In this situation, searching for new financing methods, such as PPP or PPP combined with European funds, seems to be essential. This also includes other financing tools, such as concession for construction works and services, forfeiting, operational leasing, etc.

In July 2010, Wrocław signed an agreement on construction of underground car park with the essential infrastructure under the Nowy Targ palace. The private partner signed the concession agreement for 40 years. Moreover, in 2010 Wrocław organized a tender in order to select a private partner for concession-based construction of car park next to Hala Ludowa. The city additionally considers another investments in cooperation with private partners (pools, car parks, municipal cemetery). Still, construction of two bridges on Odra and Olawa Rivers with total length of 4km (continuation of the previously constructed ring road’s sections) remains the most important and most expensive venture. Currently, Wrocław conducts competitive talks to select the advisor for this investment.

With the average level of 100 for the 11 cities, the value of SFC for Wrocław is 96.6.
Why do we measure Investment Attractiveness Capital?

Investment Attractiveness Capital reflects a given city’s attractiveness as a location for business activity, and thus its capacity to attract investors. Perception is crucial; this capital is not always directly connected with the city’s actual strengths and weaknesses. Cities providing very good investment conditions sometimes are regularly ignored by investors, while other cities actually offering worse conditions are popular.

Very often investors do not act rationally. They tend to make new investments where they have invested in the past, even if the conditions offered by other cities may be better. Subjective and secondary factors may also influence decisions about where to launch investment: the city’s accessibility for travelling businessmen, the goodwill of local administrative bodies and the first impressions from the visit. A city that is not perceived as a good investment location should strive to change this by any means possible. Investment Attractiveness Capital is essential for future development.

Measuring Investment Attractiveness Capital

Investment Attractiveness Capital has a strong influence on a city’s development opportunities. As evaluation of investment attractiveness is not always entirely rational, cities can only patiently strive to promote a positive image. Awareness of the business potential of a city, and identifying the sectors that the city is best suited to meeting the needs of, are pre-conditions. Therefore, drawing up a clear and transparent planning policy and strategies for its effective implementation is critically important.

Investment Attractiveness Capital is measured above all by analysing a given city’s success in attracting investors, both foreign and domestic. We also take into account investment conditions, that is those factors that may enhance the image of the city as a good business location.
Investments

**IAC: attractiveness to foreign investors**

To evaluate a city's level of perceived investment attractiveness to foreign companies, we analysed the level of existing investment and data concerning the availability of skilled employees.

The indicators used to measure IAC for attractiveness to foreign investors include: number of foreign companies that have invested in the city in the last three years, and the number of graduates from technical and scientific universities located in the city or in its vicinity (distance of up to 50 km) who completed their education in the last three years.

**Wrocław’s attractiveness for foreign investors invariably remains on high level. After Warsaw and Poznań, Wrocław may be proud of the largest number of foreign investors in the city per capita. 29,600 graduates from technical and scientific faculties who completed their education in the previous years is the city’s indisputable advantage.**

**With the average value of 100 for the 11 cities, the value of IAC in terms of foreign investors for Wrocław is 124.6.**
Investments

IAC: attractiveness for domestic investors

Domestic companies are usually more aware than foreign companies of the strengths and weaknesses of given cities as investment locations, and their decision-making can therefore be more rational. This is true particularly for large domestic companies, which very often have significant freedom in choosing the most suitable investment location for the long term.

The basic indicators used to measure IAC for domestic investors in this respect are:
- the total value of the companies’ capital expenditures per capita (demonstrating their investment in a given location),
- relationship between capital expenditures and fixed assets (indicating growth of or reduction in business engagement in a given location),
- number of innovative companies operating in the city (as per the INE PAN, BRE Bank and Gazeta Prawna ranking) and
- wage levels (as relatively low wage levels should attract investors).

Wrocław is not as attractive for Polish companies as it is for foreign investors. Capital expenditures per capita are slightly below the average level observed in the group of 11 surveyed cities, while relationship between capital expenditures and fixed assets is almost equal to the average level. Wage level is slightly higher than the average for the 11 cities.

With the average level of 100 for the 11 cities, the value of IAC in terms of attractiveness for domestic companies for Wrocław is 88.6.
Investments

IAC: investment conditions

When considering, for instance, the level of human capital or infrastructure in a city, subjective assessments of its suitability for investment and business activity may hold more sway than its actual advantages. This analysis takes into account factors that may encourage or discourage companies, especially foreign ones, from investing.

The indicators used to measure IAC for investment conditions include: the percentage of a city’s area covered by spatial development plans, the number of language and international schools, and the number of beds in 4- or 5-star hotels (compared to the city’s population).

Investment conditions provided for investors by Wrocław are one of the best in Poland. The city has a relatively high percentage (38%) of area covered by spatial development plans, which makes it easy to find a good location for a given investment. Developed and modern hotel infrastructure as well as availability of educational services constitute significant advantages for foreign investors.

With the average level of 100 for the 11 cities, the value of IAC in terms of investment conditions for Wrocław is 135.6.
**Investments**

**Summary**

**Wrocław’s Investment Attractiveness Capital**

The city managed to establish a strong reputation among the foreign investors. Even though it seems that the market has been already saturated, Wrocław invariably proves to be hugely effective, and is still able to secure many interesting investment projects. Nevertheless, this effectiveness does not translate into attracting domestic companies.

*With the average level of 100 for the 11 cities, the value of IAC for Wrocław is 118.3 (only Warsaw obtained better result).*
Wrocław  Reports on major Polish cities
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