

Strategy of economic changes





**PROGRAM
REGIONALNY**
NARODOWA STRATEGIA SPÓJNOŚCI



**WOJEWÓDZTWO
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Introduction

① European Commission, Public consultation report. Report of the Public Consultation on the Smart Cities and Communities Initiative, 2011

② <http://www.smart-cities.eu/>

Creating smart cities

At present, more and more often debates are held on the definition of cities of the future and the attempt of their description. The characteristic features of the cities of the future refer to many areas which will affect the assessment of the city's attractiveness, both by its citizens and investors.

The phenomenon of the cities of the future (the so called smart cities) is within the interest of various environments. The representatives of cities and regions, their governing bodies, universities, entrepreneurs, business-related institutions and local communities gather to jointly work on proposals of activities streamlining the functioning of cities, increasing their attractiveness for investors, and the quality of life for citizens.

This type of activity leads to an increase in awareness of benefits of the dialogue of stakeholders interested in the city's development and future.

Examples of units which work on the preparation of the profile of a smart city are presented below. They have been grouped according to two types of approaches, i.e. the "EU" – connected with the work of the EU bodies or supported by them, and an academic one (connected with the work of researchers at universities). The first three examples have been presented in more detail.

1. EU approach – examples

- The EU program - Smart Cities & Communities Initiative, aimed, among others, at defining a smart city and its characteristic features¹
- Guidelines of the Committee of the Regions, an advisory body of the EU.

2. Academic approach – examples

- Vienna University of Technology, University of Ljubljana and Delft University of Technology² – preparation of a model of a smart city, a ranking of the smart cities among selected medium size cities.
- Massachusetts Institute of Technology - "The City Science Initiative at the MIT Media Lab" initiative. Works

are particularly related to developing innovative solutions, which will streamline the organization manner and, thus, the functioning of the cities.³

The analysis of the above initiatives proves that the objectives of this project show synergy, especially within the area of streamlining cities in the key sectors of its functioning. The example below presents a description and the degree of similarity of the presented and EU supported initiatives with the subject matter of the tasks of this project, with reference to the initiative of Smart Cities & Communities Initiative as well as the activity of the Committee of the Regions.

1. Smart Cities & Communities Initiative

a) Definition of a smart city according to Smart Cities & Communities Initiative

The mentioned idea of creating 'smart cities' which remains within the scope of research of the EU program – Smart Cities & Communities Initiative – encourages to define a smart city.

“Smart city” is a city that is functioning efficiently and reacts quickly to appearing challenges. According to the Europe 2020 strategy 'smart city' is a city that possesses high energy efficiency, ecological transport and its citizens have at their disposal widespread and fast Internet⁴. The European dimension of a smart city focuses mainly on the energy efficiency and the reduction of CO₂ emission, which creates the necessity to develop and implement new technological solutions. A broader definition of a smart city, however, comprises the government manner of the local authorities (efficient, effective with proactive participation of citizens) and the concept of spatial planning of the city, which is aimed at creating a citizen-friendly city.

③ <http://cities.media.mit.edu/>

④ Recommendations of the European Commission concerning initiatives within the scope of joint planning of academic research 'Urbanized Europe – global challenges for cities, common European solutions, 2011.

Table 1. Recommendations of the Committee of the Regions within the scope of the role of local and regional authorities

- b)** Guidelines of the Committee of the Regions addressed to the local authorities within the scope of supporting social and economic development
- The Committee of the Regions, an advisory EU body, emphasizes a significant role of local authorities in initiating activities aimed at social and economic development as well as environmental protection. Besides, it points at a crucial participation of authorities in creating partnership for increasing innovation of the regions, calling regional decision-makers 'initiators of changes and spokesmen of innovation'.
- The following table presents key recommendations of the Committee of the Regions within the scope of the role of local and regional authorities in reference to seven central initiatives.

Recommendations of the Committee of the Regions within the scope of the role of local and regional authorities with reference to central initiatives:

Recommended activities within the scope of Initiative 1 Union of innovation comprise among others: initiative support (e.g. smart cities, region of knowledge), creating partnership for the purpose of creating a base of knowledge, supporting cooperation between enterprises and the scientific environment, creating one-stop-shop for servicing small and medium enterprises, effective gaining of funds for research and innovation, especially from private sources.

Recommended activities within the scope of Initiative 2 Mobile youth comprise among others: focusing on key competences crucial for creating knowledge-based society, connecting education with the needs of the labor market.

Recommended activities within the scope of Initiative 3 European digital agenda comprise among others: automation of actions (e-administration), access to broadband Internet.

Recommended activities within the scope of Initiative 4 Europe using resources comprise among others: preparation and adoption of local or regional strategies within the scope of counteracting climate changes and effective energy use, development of a strategy clear for the public opinion (e.g. by reducing the number of indicators for the assessment of its results).

Recommended activities within the scope of Initiative 5 Industrial policy within the era of globalization comprise among others: support of industrial modernization, exchange of knowledge within the scope of ecological transport, cooperation for innovation, promotion of balance between work and family life.

Recommended activities within the scope of Initiative 6 Program for new skills and employment comprise among others: labor market analysis (determining discrepancies between skills and economic possibilities, creating connections between enterprises and institutions of higher education – training program).

Recommended activities within the scope of Initiative 7 European program of counteracting poverty comprise among others: development of a program counteracting social exclusion, improvement of access to social services, assessment of implemented reforms, exchange of experience and good practice.

Source: Deloitte study based on the project of the Committee of the Regions – the role of local and regional authorities in the completion of the Europe 2020 Strategy, 2011

The qualitative assessment of the degree of similarity of the recommended, by the Committee of the Regions for local authorities, initiatives with the areas of analyzed within the scope of this project for which a number of recommendations is indicated, is presented in the table below. The comparison shows that the directions of the EU activities, their forecasts within the scope the development direction of 'smart cities' are, to a great extent, compatible with the observations and recommendations of this project, which, despite their more operational nature than the one defined by the EU, support the achievement of priority objectives stipulated by the EU.

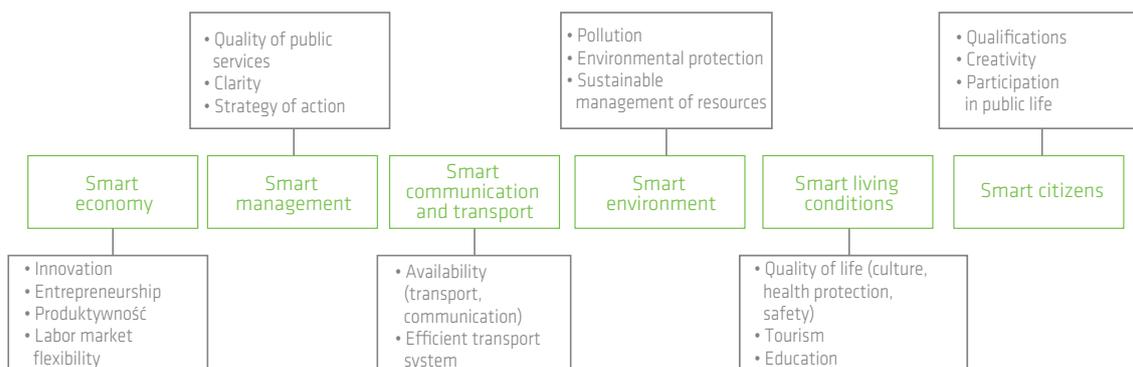
Table 2. The degree of similarity of the initiatives recommended by the Committee of the Regions for local authorities with analyzed areas, recommendations of this project

No./ Initiative title	Key words characterizing analyzed issues, mentioned in both sources (examples)	Degree of similarity of the recommended activities within EU initiatives with the report objectives
Initiative 1 Union of innovation	<ul style="list-style-type: none"> • Smart cities • Partnership creating knowledge • Cooperation between enterprises and academic environment • One-stop-shop for managing small and medium enterprises 	
Initiative 2 Mobile youth	<ul style="list-style-type: none"> • knowledge-based society • education vs. demands of the labor market 	
Initiative 3 European digital agenda	<ul style="list-style-type: none"> • automation of activities (e-administration) • access to the broadband Internet 	
Initiative 4 Europe using resources	<ul style="list-style-type: none"> • climate changes • efficient energy use • clear strategy 	
Initiative 5 Industrial policy within the globalization era	<ul style="list-style-type: none"> • modernization of industry • energy-efficient buildings • ecological transport • cooperation for innovation between work and family life 	
Initiative 6 Program for new skills and employment	<ul style="list-style-type: none"> • labor market vs. skills • training program • cooperation between science and business 	
Initiative 7 European program of counteracting poverty	<ul style="list-style-type: none"> • social participation • social services 	

high medium small

Source: Own study of Deloitte based on the project of the Committee of the Regions - the role of local and regional authorities in the completion of the Europe 2020 Strategy, 2011

Diagram 1. Model of smart cities
(characteristic)



Source: Study based on <http://www.smart-cities.eu/model.html>

2. Academic approach

- a) Development of a 'smart city' model by a team of Austrian, Slovenian and Dutch researchers
- The works of the team from Vienna University of Technology, University of Ljubljana and Delft University of Technology comprised a preparation of a report related to smart cities. The report included, among others, a ranking of 'smart cities' compiled by the team. Medium-size cities were also taken into consideration; the Polish cities to be found in the ranking included: Białystok, Bydgoszcz, Kielce, Rzeszów and Szczecin). The team also developed a model of characteristic features of smart cities, presented below.

The above model presents areas which are important from the perspective of the city's functioning. To a great extent, the indicated areas correspond with the key criteria of the selection of location by the investor, presented in the partial Report no. 1 on a diagram of the so called investment tree. The diagram of the investment tree presents criteria of the city's attractiveness taken into account by a potential investor during the selection of location.

The compatibility of the criteria defining smart cities and their investment attractiveness allows for drawing a conclusion that smart cities are attractive not only for their citizens but also for investors.

It should also be emphasized that a smart city is not a result of single actions, but a continuous process of improving the above areas, consequences of the authorities and engagement of the local community. The creation of a smart city is a long-term process and requires some continuity of actions, both on the part of authorities and citizens.

Methodology of study and main observations, assumptions related to the strategic economic change of Lublin

This subchapter comprises a proposal of methodology of strategy of economic changes for Lublin as well as examples of observations which translate into future actions. The further part of this study presents actions aimed at identification of areas requiring intervention, some preventive measures. These are often areas of the city functioning where dysfunction occurs; they are also often a result of the appearance of new challenges, which have not been recognized earlier.

The strategy objective is, thus, prevention of threats (e.g. migration of people) and reduction of negative effects of events and identification of areas of implementation of necessary changes in the city's functioning as well as future challenges.

The preparation of the strategy of economic changes will consist of two stages.

Stage 1 – Examination of the compatibility of the economic potential and the Strategy with challenges within the scope of cities' development.

The project stage comprises three analyses, which may constitute a basis of strategic decisions, i.e.:

- Review of the social and economic diagnosis of the city and the region, assessment of its investment attractiveness and the city's potentials (with a description of developmental perspectives of the economy of Lublin and its region)⁵,
- Analysis of local and global trends within the scope of the city's/cities' development as well as the challenges faced,
- Review of the former City Development Strategy from the perspective of its objectives and possible directions of economic changes..

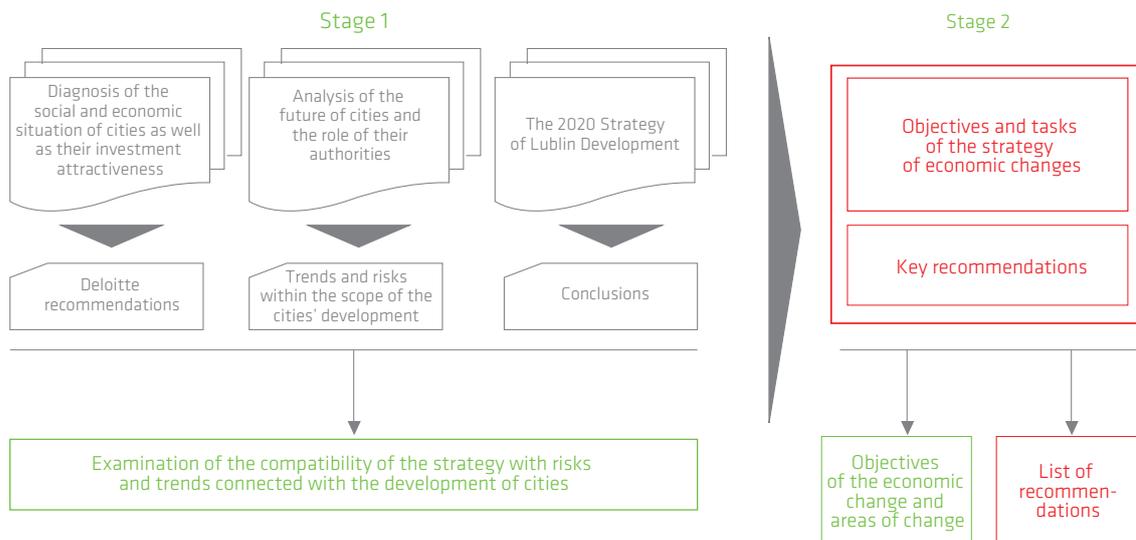
The result of the works under Stage 1 shall comprise in particular the examination of the compatibility of the actions taken (based on the strategy) with demands and challenges (local and global).

First, the answers to the following questions are sought:

- Is the direction of the city correct?
- Does the present situation require revision in the face of challenges and environmental changes?

⑤ The table 'Observations and findings' presents a summary of observations related to the social and economic situation, compiled on the basis of the Partial report no. 1

Diagram 2. Methodology of the process of creating a strategy of economic changes



Source: Own study of Deloitte

- Are the actions taken only a response to short – term challenges?
- Which actions should be prioritized?

Stage 2 – Identification of areas requiring changes and preparation of a list of recommendations

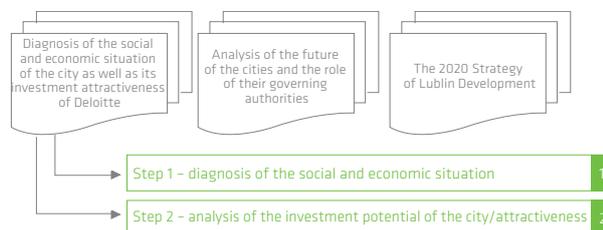
The project stage comprises drawing conclusions on the basis of the analytical part and, on such basis, developing recommendations/directions of changes.

The result of the project works shall be constituted by a list of causes which necessitate an implementation of economic changes together with identification of ‘endangered areas’ and exemplary preventive actions.

The diagram below presents a methodology of developing the strategy, which has become the basis of presenting key observations and conclusions in the further part of the study.

Stage 1 – Examination of the compatibility of the economic potential and the strategy with challenges within the scope of the development of cities

As mentioned above, the Stage 1 comprises three areas of analyses presented in the form of the following diagram.



A description of each of the analysis within the Stage 1 is presented below.

Diagnosis of the social and economic situation of the city and its investment attractiveness

The first area of the analysis, i.e. 'Socio-economic diagnosis of the city and the assessment of its investment attractiveness comprise two crucial steps of the analysis, presented below.

Step 1. Diagnosis of the socio-economic situation within the scope of the basic economic data

The following table presents a summary of the socio-economic situation of the town and the region, for several key areas:

- **Analysis of the economic situation of the city and the region as well as developmental perspectives of the economy of Lublin. Areas: macroeconomics, demography, labor market**

Observations and conclusions

Area: macroeconomics

- The Lubelskie Province possesses the lowest GDP value per capita compared with other provinces in the country.
- Nation-wide, the Lubelskie Province possesses low value of foreign investments and export calculated per capita.

Area: demography

- Both the Lubelskie Province and Lublin are characterized by a visible population drop caused by the decrease in the number of births and adverse migration balance.
- The main internal migration destinations for permanent stay in 2010 were the Mazowieckie, Podkarpackie and Małopolskie Provinces. Among the EU countries, the dominating destinations of the Lublin and the Lubelskie Province citizens are Germany, the United Kingdom and Italy.
- Among emigrants, the dominant number of people has completed secondary and tertiary education, which adversely affects the resources of the local labor market.

Area: labor market

- According to the data for the year 2010, the Lubelskie Province reported the unemployment level of 13.1% (the country's rate at that period was 12.4%).
- The employment structure of the province inhabitants shows high percentage of people employed in agriculture (c. 46% of the employed fall within the agricultural sector).
- The Lubelskie Province is characterized by competitive labor costs compared with other provinces. Average gross remuneration in the Lubelskie Province constitutes c. 90% of the national average pay.

Perspectives in the case of shortage of preventive measures (demography/labor market)

Adverse migration balance is connected with unattractive labor market. Lack of undertaking preventive measures may deepen the phenomenon of people's emigration and faster ageing of the society of the city and the province. The main cause of emigration is the lack of employment opportunities. The economic factor has the greatest impact on the decision concerning the stay/leaving the city; that is why the actions aimed at decreasing the dynamics of the emigration of inhabitants should be focused on increasing the labor market attractiveness.

The initiatives undertaken by the city should not be limited solely to threat – preventing measures. The city should also conduct promotion activities of its assets, which undoubtedly include low costs (with a relatively attractive staff). The process of increasing the awareness of potential investors is also very significant, especially when the town is not known to foreign investors.

Source: Own study of Deloitte | ■ Areas: education, infrastructure, other

Observations and conclusions

Area: education

- Lublin is a significant academic center in the country. Its leading institutions of higher education include, among others: The Maria Curie-Skłodowska University, Lublin Medical University, Lublin University of Environmental and Life Sciences, The Institute of Technology in Lublin
- The Lubelskie Province occupies a high position among other provinces in terms of the relation between the number of students and the population number (the Lubelskie Province occupies the 6th position)
- The Lubelskie Province is characterized by a relatively small share of the graduates of technical and scientific fields of study in the total number of graduates, i.e. fields of study that are crucial for a number of investors. The positive aspect from the perspective of the internationalization potential of the city is, among others, high (on the Polish scale) percentage of international students, amounting to 1.7%. Nonetheless, this value is much lower compared with the EU leading academic cities.

Perspectives in the case of the shortage of preventive measures:

Despite the fact that Lublin is a significant academic center in the region, its significance is much lower on the national scale. Insufficient actions (lobbying/informative/consulting) for adjusting the educational offer to the needs of entrepreneurs will result in graduates possessing no perspectives of an interesting work, and consequently their leaving the city.

Area: infrastructure

- The Lubelskie Province is characterized by a relatively poorly developed transport infrastructure on the national scale. The density of hard-surface roads in the Lubelskie Province in 2010 amounted to 80.5 km/100km² (an average for Poland – 87.6 km/100 km²). The density of railway lines (normal and narrow-gauge) in 2010 amounted to 4.1 km/100km² (an average for the country – 6.5 km/100 km²).
- The communications limitation in the province is, in particular, the lack of beltways, small number of express ways and lack of an airport (as of the date of the Report – an airport in Świdnik, located 10 km from Lublin, is still under construction. The planned date of completion – second half of 2012).
- Lublin is characterized by a relatively small availability of office space compared with its size.
- Lublin is characterized by relatively adverse relations of the amount of rental and the available options for the tenant.

Perspectives in the event of shortage of preventive measures:

The assessment of Lublin infrastructure (transport/ office space/ telecommunications) resulting from the conducted interviews with potential investors (during the project research stage) and the ratio assessment (data of the Central Statistical Office) is below average.

Lack of actions within the scope of improvement of the infrastructure quality and the transport availability, similarly to the lack of interesting office offers (e.g. meeting high standards of buildings aimed at rendering services (consulting, BPO/SSC, outsourcing) may effectively discourage a potential investor.

The Lubelskie Province is characterized by one of the lowest rates of the availability of broadband Internet for the country's inhabitants. Lack of measures aimed at improving the technological backwardness may result in a decreased level of inhabitants' entrepreneurship.

Other areas:

- 'Per capita' outlays of the enterprises sector on the research and developmental activity in the Lubelskie Province are relatively low compared with other provinces, but they indicate a rising tendency.
- The Lubelskie Province is characterized by a significant number of cluster initiatives. Nonetheless, there are opinions that in practice a large number of cluster initiatives does not always correspond with the quality of their functioning.
- According to selected respondents, the actions of the Science and Technological Park in Lublin do not correspond with the expectations towards this unit (among others: high participation of public entities among residents and a relatively low share of innovative entrepreneurs).

Perspectives in the event of lack of preventive measures:

Lack of actions connected with the monitoring of works of some business-related institutions results in lack of adequate support for the local entrepreneurship. In turn, lack of identification of such organizations, which in fact do not meet their statutory aims within the scope of socio-economic support, will result in the distraction of attention of the authorities within the social dialog.

Step 2. Analysis of the city's investment potential, its attractiveness based on the ratio analysis for 5 areas of research

The basis for assessing the investment potential is constituted by the ratio assessment of the city and the region⁶. The assessment comprised key areas (criteria) taken into consideration by a potential investor during the selection of location. The criteria are a part of the investment tree mentioned in the report.

The ratio analysis includes 5 areas:

- Human resources,
- Infrastructure,
- Location,
- Conditions of conducting an activity,
- Costs, refers to all 16 provinces, which allow for positioning the city and the region on the national scale.

Source: Own study of Deloitte

© Statistical data of the Central Statistical Office used for the ratio analysis are mainly from 2010 and in exceptional cases from 2011.

⑦ The green areas do not cover protected areas, which from the perspective of an investor are not a favorable characteristic feature of the region/city, especially for industrial production.

The scoring of each of the areas in a given province is an arithmetic average of the ratio value which are the components of the grade of a given area. Each description of the areas and rates which contribute to the assessment grade of a given area, are also accompanied by additional comments concerning the city of Lublin.

The assessment of **human resources** (and the related point grade) comprises a demographic aspect (participation of young people in the population, ratio of demographic load of elderly people and the migration balance), level of education of the local community (percentage of people with higher education among the professionally active compared with the population number and the number of students within the total population).

The data are important from the perspective of a potential investor, as they present the strategic image of the city/region. The demographic structure, similarly to the number of students (enriched with an analysis of the quality of students' knowledge, fields of study desired by investors), is the key criterion for investors of each profile of activity (production, service, production and service).

In turn, **infrastructure** was assessed from the perspective of its availability and quality (e.g. the quality of telecommunications connection, number, road surface, availability of flats etc.). The indicators, which were used for the assessment are e.g. the availability of flats (measured with the ratio of the number of flats provided for use per 100 population), surface of green areas (i.e. areas making the residential and office infrastructure more attractive, i.e. green squares)⁷, as well as the quality of road surfaces (measured by the density of hard surface roads).

The assessment of the **location** of the city/region by a potential investor is subjective as it depends on the selection of business partners, the type of conducted activity and the nature of cooperation. Trying to select possibly objective indicators, assessment of the location was made by measuring the transport availability (measured with the density of railway connections and the location compared with 6 Polish cities (Warszawa, Kraków, Wrocław, Poznań, Gdańsk, Katowice), as well as the distance to the closest airport.

Another significant item of the cost analysis of the investment is constituted by the **costs of conducting an activity**, which include among others: salary rate and local taxes (on land and real estate), as well as average flat prices, which reflect the prices of real estate.

The assessment of the **conditions of conducting an economic activity** in the city/region comprises an analysis of the amount of investment outlays of enterprises per capita, the level of entrepreneurship (measured by the number of units registered in the Register of Businesses (REGON) per 100 thousand people) and the broadly understood quality of life (measured with e.g. the degree of air pollution, access to care and education of children (number of places in a nursery per 100 births, number of places in kindergartens counted against the number of children of the kindergarten age (3,4,5- year old children), health protection (number of hospital beds per the number of residents etc.), cultural life (possibility of entertainment, i.e. the number of cinemas, theaters, museums and sports facilities per 100 000 residents).

The investors taking decisions concerning the location of investments often put emphasis on aspects of the city/region other than financial ones. The assessment of the quality of life 'after work' and the development for the family (education, health care, entertainment) often constitute a significant aspect in the total assessment of the city covered by investment.

The following table of provinces presents a list of areas with the assessment and the position of the city/region against the background of other cities/regions.

Rate	Human resources	Infrastructure	Location	Conditions of conducting an activity	Costs
Łódzkie	2,0	2,8	3,0	2,5	2,0
Mazowieckie	3,2	3,5	2,7	3,3	1,0
Małopolskie	3,4	3,5	3,3	2,7	2,5
Śląskie	1,8	4,0	4,0	2,7	1,8
Lubelskie	2,4	1,8	1,3	1,7	3,0
Podkarpackie	2,2	1,5	2,0	1,8	3,5
Podlaskie	2,0	2,3	1,0	2,0	2,5
Świętokrzyskie	1,6	1,8	2,0	1,9	3,3
Lubuskie	2,2	2,3	2,7	3,2	4,0
Wielkopolskie	3,0	3,3	3,7	3,0	1,5
Zachodniopomorskie	2,0	2,3	2,0	2,7	2,0
Dolnośląskie	2,4	3,8	4,0	3,3	1,0
Opolskie	1,2	2,3	3,3	2,2	2,0
Kujawsko-Pomorskie	2,2	2,3	3,0	2,4	3,5
Pomorskie	3,2	3,0	2,7	2,7	1,0
Warmińsko-Mazurskie	2,2	1,5	1,7	1,8	3,5

Table 3. Ratio assessment of the key factors for the investor during the selection of a location (the position of the city/region compared with other cities/regions)

Source: Own study based on the data of the Central Office of Statistics and Local Database

Observations resulting from ratio analysis indicating general directions of conducting an economic change

- Visible relatively high position of the region in the area of human resources and costs.
- Despite the fact that the assessment of the human resources is relatively high (mainly due to the large percentage of students and people possessing higher education), the element that affects its drop is the negative migration balance.
- The region attractiveness in the area of location and communications is not highly graded which is mainly caused by a relatively low density of railway, still non-available airport and lack of highway.
- Within the scope of telecommunications infrastructure, the region is characterized by one of the lowest rates determining the level of an information society, understood as an access to broadband Internet.
- A relatively low entrepreneurship rate in the region results in lowering the grade of the conditions of conducting an activity. Still, the area grade is higher by the high mark assessment of the quality of life (especially within the scope of the air cleanliness and medical care).

- In the reference to the region, the grades within the cost attractiveness area are high.

To enrich the above analysis, a comparison of the results of two analyses of the city's potential, i.e. the grade resulting from the above presented ratio analysis (objective data) and the subjective assessment of respondents of individual interviews has been presented. The interviews constituted the main and a very significant element, in figure, of the research stage of the project.

The following table presents a point grade resulting from two analyses.

Table 4. Comparison of the ratio and questionnaire assessment related to the investment attractiveness of the city and the region

Assessed area	Point grade based on the ratio assessment	Point grade based on the questionnaire answers	Observations and conclusions of additional interviews
Human resources	2	3	<ul style="list-style-type: none"> • Positive image of the city as an academic center (opinion of domestic investors/narrow knowledge of foreigners concerning Lublin as an academic center). • Narrow knowledge of the higher education institution, especially of technical profile. • The quality of education in the region is graded as average (lack of adjustment of the educational profile to the market needs). • Knowledge of the problem of negative migration balance (brain drain to the country's biggest cities).
Infrastructure	2	2	<ul style="list-style-type: none"> • Respondents assessed the infrastructure area as weak (quality of roads). The respondents see improvement in that scope. • The respondents often paid attention to the increase in the city's and the region's attractiveness by opening the airport (perceived as a chance for the city's development).
Location	1	2	<ul style="list-style-type: none"> • Subjective assessment of the attractiveness of location is higher than the ratio assessment. The peripheral location of the city was not perceived as a barrier (also in general, the grade awarded for location was not isolated from other conditionings, e.g. business contacts with eastern neighbors). • Opinions on the benefits and losses resulting from the proximity of the Eastern border are divided. The neighborhood with the Ukraine and Belorussia is appreciated more within the cultural context than the economic one.
Conditions for conducting an activity	2	2	<ul style="list-style-type: none"> • Positively graded quality of life in the city (cultural life/entertainment/architecture). • Relatively poorly perceived level of entrepreneurship and the activity of the local community.
Costs of conducting an activity	3	3	<ul style="list-style-type: none"> • Positive perception of the city's and the region's attractiveness in terms of the cost amount (especially pay). • Narrow knowledge of respondents concerning the amount of local taxes, despite the fact that the said criterion was indicated as significant during the selection of location.

Source: Own study of Deloitte based on data of the Central Statistical Office and individual additional interviews during the research stage of the project.

Actions connected with defining directions of the economic change should be focused in the first place on the areas that were assessed below the average. The initiatives concerning the positively graded areas should comprise, above all, promotion activities.

The next stage of the step 1 within the analyses aimed at taking strategic decisions is the review of challenges faced by the city and the region.

Analysis of the future of the cities and the role of their governing authorities

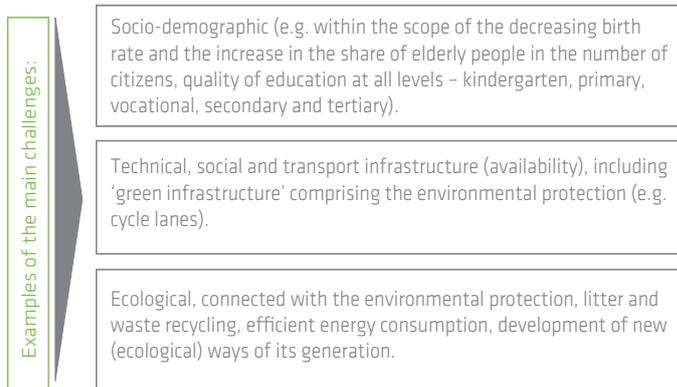
The current activities of the authorities, especially the local authorities, should concentrate on the improvement of the quality of the residents' life. Treating this task as superior implies the necessity to coordinate actions in many spheres of life that affect the assessment of its quality. The said objective may be achieved by undertaking simultaneous activities in many areas, e.g. economy, education, environmental protection, safety, and infrastructure. The assessment of the life quality of residents comprises practical needs of people (possibility of education, labor, efficient transport), as well as those connected with free time.

Further, the knowledge of trends within the scope of the city development and potential risks which may appear in the future allow for better preparation of the authorities for reacting to such risks. Therefore, considering the above mentioned supreme objective, the city's governing bodies should seek answers to questions concerning their present functioning and future challenges.

The table below presents a list of example questions which act as a loadstar for the city's authorities, facilitating the direction of the actions taken.

Guiding questions/examples
How to improve the citizens' quality of life? Which of the socio-economic areas should be treated as priorities to be improved?
What is the cause of the decreasing number of citizens? What preventive measures should be taken?
What is the way of making the citizens stay in the city and encourage others to settle in the city?
Do the local and central authorities support the city's development? Do the local authorities and institutions support entrepreneurs? Does their help bring notable effects?
Is the city development strategy consequently completed? Is it updated, monitored? Is the model of local policy effective in terms of the completion of the city development strategy and improvement of citizens' quality of life?
How can the city and the region be promoted effectively so as to make it attractive for potential investors and local entrepreneurs?
What are the key factors of the city's success? What has encouraged investors to locate their business in Lublin?
What are the long-term and medium-term threats for the city? How should they be addressed?
Are citizens engaged in the city's life, promotion and image creation? Are the actions taken by authorities made public and publicly consulted?
What are the biggest barriers in the city's development? What are the possible barriers in the long-term perspective? How can they be tackled and prevented?

Global challenges and challenges related to the country, the city development, viewed in a medium and long-term perspective. Examples of such challenges are presented in the following diagram.



Observations of the trends of cities' development as well as discussions on their future are useful in creating the city's strategy and planning the strategy of economic changes.

The following diagram presents the main features of the cities of the future, which should be taken into account while planning streamlining activities. The features are focused on three pillars, i.e. institution, citizens and infrastructure.

Table 5. Questions facilitating the direction of actions taken by the local authorities

Source: Own study of Deloitte

Diagram 3. Challenges faced by cities, their citizens and authorities

Source: Own study of Deloitte

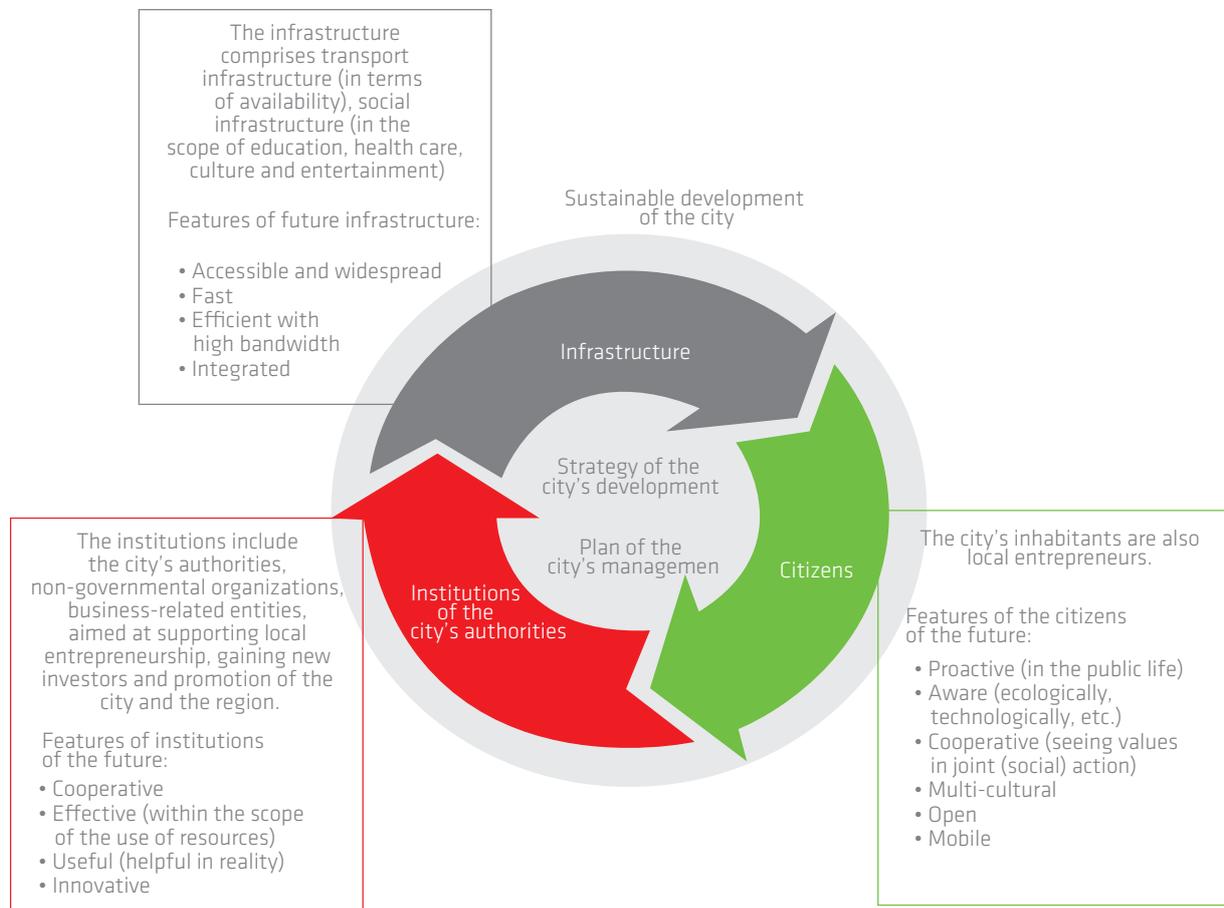


Diagram 4. Features of cities of the future

Source: Own study of Deloitte

The diagram presents the general approach to the strategy of the city's development and pillars at which its creation and completion as well as the city's development should be based:

- Institutions, City's authorities – a group of entities creating the policy of the city's development and the directions of support,
- Infrastructure – comprises both the transport availability (quality of roads and their density, railway, airport), communication (e.g. efficient municipal communication, Internet access), technical infrastructure (e.g. water and sewage management, access to the residential and office infrastructure), social (quality of education, access to the medical care and care for children as well as its quality, culture and entertainment (e.g. museums, theaters, sports facilities)),
- Citizens – persons residing in a city, persons working and studying as well as local entrepreneurs.

Each of the pillars was assigned with desirable features, which support the city's functioning and increase in its attractiveness. **The enumerated characteristic features are a target model, very difficult to be achieved at present.** They should be taken into consideration when streamlining the functioning of the three pillars.

The diagram does not indicate the paths directed at the target, only principles of a sample model. The recommendations proposed in the Partial Report no. 1 (as well as the detailed description of some of them in this report) aimed, among others, at gaining investors are one of the groups of actions leading to streamlining.

A very significant issue in the assessment of the city's attractiveness in terms of investment is the quality of infrastructure. It is indicated, among others, by the results of the study conducted among entrepreneurs in the first stage of the project. The difficulties in reaching the city may be perceived by a potential investor as a criterion disqualifying a given location.

The present actions within the scope of improvement of the eastern cities of Poland focus mainly on reducing the losses in the scope of availability in comparison with other regions of the country. The infrastructure of the future should be characterized by availability, speed and reliability. Local authorities should carry out lobbying actions indicating the necessity for the improvement of the infrastructure.

Institutions constitute the next pillar that is crucial from the point of support for the key projects of the regional development. The size of this type of entity does not always reflect the notable effects of their activity. Often the broad range of services and actions undertaken by institutions is characterized by the lack of coordination.⁸ Institutions of the future are entities that, first of all, cooperate, and act with the intention of completing a joint objective (e.g. promotion of the region), undertaking coordinated initiatives, based on the plan of action.

The third pillar of cities of the future is constituted by its citizens. It is the responsibility of the authorities to engage citizens in the city's functioning, e.g. by social con-

© Description of institutions functioning in the city, Lublin Metropolitan Area and the region is presented in the further part of the report.



sulting, meetings with entrepreneurs. The participation of citizens should lie in the interest of the authorities, i.e. it should become a natural element of government. The proactive approach of the citizens is crucial not only in the context of consulting the authorities' proposals but also within the aspect of undertaking their own initiatives and the promotion of the city and the region. The city's authorities should undertake actions aimed at increasing the city's attractiveness for its citizens (to reduce the risk of the citizen emigration) in terms of the quality of life, labor market, education, etc.

The 2012 Strategy of Lublin Development – review of the present strategy of the city in comparison with investment potential and challenges faced by the town

The review of the strategy in comparison with the investment potential and challenges faced by the city will delineate the city's economic situation and the perspectives of its development in the future.

The following table presents the objectives of the present 2020 Strategy of Lublin Development together with comments within the scope of identified challenges and Deloitte - indicated recommendations within the area of increasing the investment attractiveness of the city.

Table 6. Review of strategy objectives, challenges and preliminary recommendations within the scope of improving the investment attractiveness of the city and the region

Source: Own study of Deloitte based on the 2020 Lublin Strategy and recommendations made during the course of project works.

Symbol	Strategic objective	Challenges (examples)	Deloitte recommendations / directions of changes (examples)
A	Openness		
A.1	Improving Lublin's accessibility	<ul style="list-style-type: none"> • Necessity of efficient promotion and intensive development of the airport connections. • Unsatisfactory transport availability (quality, road network, few railway connections with the city). 	<ul style="list-style-type: none"> • Undertaking lobbying in central institutions for the improvement of infrastructure and transport accessibility (including actions aimed at incorporating Lublin into the international "network of air connection"), successful gaining of funds for the improvement of the road infrastructure.
A.2	Expansion of external relations	<ul style="list-style-type: none"> • Limited awareness of potential investors (especially foreign investors) related to Lublin, its assets, even size. • Necessity of streamlining the investor's service process (which translates into negative assessment of the city and its attitude towards investors). • Selection of partners for real (not only 'paper') cooperation e.g. among the partner cities etc. 	<ul style="list-style-type: none"> • Reorganization of Customer Service Office processes, of the whole Municipal Office, crucial for the process of gaining investors and servicing the existing entities. • Active access to selected groups of investors. • Active access to institutions, persons who may act as agents, advisors of potential investors. • Improvement of the quality of communication with the local business – stability of contacts.
A.3	Strengthening cultural openness		<ul style="list-style-type: none"> • Actions for the development an international student exchange programs. • Increasing the participation of international students in the total number of students completing their studies in the city. • Monitoring carrier paths of the graduates of institutions of higher education in Lublin. • Gaining foreign investors, which will mean functioning of a given group of experts at the city's area.
A.4	Building regional and metropolitan bonds	<ul style="list-style-type: none"> • Large dispersal of business-related institutions in terms of their number and the support offered, whose real translation into the improvement of the socio-economic situation is relatively small. • Lack of willingness of cooperation on the part of the institution within the scope of the undertaken joint actions (chaotic actions, lack of coordination). • Repeated economic events (conferences, seminars) organized by the authorities of the city and the province (difficulty in selecting events crucial for the regional development). 	<ul style="list-style-type: none"> • Identification of institutions – leaders, which support the development of the local entrepreneurship. • Undertaking joint actions in the Lublin Metropolitan Area for the promotion of the region and the socio-economic development (joint coordination). • Construction of a dialog between the authorities of the city/region and local entrepreneurs. • Creation of a reliable representation of the business environment in front of public authorities.
B	Friendliness		
B.1	Enhancement of the technical infrastructure	<ul style="list-style-type: none"> • Delays in the availability of telecommunications infrastructure (improvement of the access to broadband internet). • Too small number of an office space (high standard buildings) with vast space. 	<ul style="list-style-type: none"> • Considering the possibility and legitimacy of municipal investments in the office infrastructure/ establishing a new public enterprise of a scientific and technological nature (and/or a business incubator). • Gaining real estate investor who will construct, operate and gain tenants (e.g. in cooperation with the city).
B.2	Improving the comfort of life		<ul style="list-style-type: none"> • Promotion of a city investment nature by emphasizing by emphasizing its assets in the scope of the quality of life.
B.3	Caring for space culture	<ul style="list-style-type: none"> • Difficulty in obtaining the title of a smart city (in a long term), omitting Lublin in the part of crucial rankings in the scope of e.g. smart cities. 	<ul style="list-style-type: none"> • Holistic view of the city (according with the idea of a smart city), as a pro-ecological place, with room for life, work, leisure. • Attempt to participate in meetings of the representatives of national and international cities, whose aim is a joint debate over the model of cities of the future.⁹

B.4	Supporting the development of leisure activities		<ul style="list-style-type: none"> Promotion of a city investment character by emphasizing its assets within the scope of the quality of life.
B.5	Improving the quality of education	<ul style="list-style-type: none"> Small compatibility between the fields of study with the needs of entrepreneurs/labor market. Small engagement of enterprises in the programs of student training. 	<ul style="list-style-type: none"> Current monitoring of the labor market and its needs (cooperation with institutions of higher education and enterprises). „The number of graduates calculator“ of specific fields of study in subsequent years. Promotion of „ordered fields of study“ by business and education tailored to the needs of entrepreneurs.
B.6	Social participation	<ul style="list-style-type: none"> Passiveness of citizens within the scope of their own socio-economic initiatives. 	<ul style="list-style-type: none"> Undertaking actions aimed at engaging citizens in the city's life, including the budgeting process.
Entrepreneurship			
C.1	Development of the industrial sector	<ul style="list-style-type: none"> Winning over foreign and national investors. Lack of the middle management staff and persons possessing technical education. 	<ul style="list-style-type: none"> Promotional activity for the city and the region. Increasing the awareness of potential investors concerning the city. Development of business mini-strategy (together with success stories) of enterprises which located their activity in the city or the region. Monitoring the career paths of graduates – access to potential persons of the middle management who, due to the historical connection with Lublin, will be able to return to the city.
C.2	Development of the services sector	<ul style="list-style-type: none"> Gaining foreign and domestic investors. Lack of middle management staff. 	<ul style="list-style-type: none"> A number of recommended actions including promotion activities, business mini strategies, reorganization of the Municipal Office (UM), increasing the LOM (Lublin Metropolitan Area) potential, monitoring the graduates' paths, ordered fields of study etc.
C.3	Entrepreneurial culture	<ul style="list-style-type: none"> Small support of entrepreneurs by the Lublin Science and Technology Park. Lack of business approach of the public entities to investors' service. 	<ul style="list-style-type: none"> Promoting business approach (aimed at fast service) among public units to the investor service. Development and implementation of support packages for enterprises locating their activity in the city (based on good practice in other countries). Considering the possibility of implementing the „second-chance“ program – support for the selected, experienced entrepreneurs who liquidated/withheld the business activity.
C.4	Supporting creative industries	<ul style="list-style-type: none"> Adverse business profile in a long-term perspective (large share of businesses creating a small added value, basing their choice mainly on cost advantage). 	<ul style="list-style-type: none"> Conducting updates of the strategy from the perspective of businesses significant for the development of the city and the region (compared with the challenges and the changing socio-economic potential).
Academic Spirit			
D.1	Internationalisation of universities	<ul style="list-style-type: none"> Relatively low prestige of institutions of higher education in the country. Limited knowledge of international students of the possibility of studying in Lublin. 	<ul style="list-style-type: none"> Supporting institutions in establishing contacts with foreign institutions for the purpose of operating international programs of student exchange. Promoting actions aimed at the bilateral student agreements connected with training in local enterprises (student training in the city would start with the presentation of the socio-economic potential of the city). Promoting the city as an academic city (which will meet the expectations of international students). Proper preparation of web portals of the city and the institution of higher education aimed at facilitating communication with foreign students (within the scope of information included and translation).

D.2	Symbiosis with the environment		<ul style="list-style-type: none"> • Preparation of a „starter pack” for foreign students, i.e. places which must be visited, where to eat and how to find a flat, etc.
D.3	<i>Genius loci</i> of the academic city		<ul style="list-style-type: none"> • Promoting the city as an academic city (which will meet the expectations of foreign students).
D.4	Attracting and keeping talents in Lublin	<ul style="list-style-type: none"> • Brain drain to cities offering more attractive labor and residential conditions. 	<ul style="list-style-type: none"> • Undertaking long-term initiatives aimed at creating the attractiveness of the labor market in the city.

Stage 2 – Identification of areas requiring change and preparation of a list of recommendations

Stage 2 comprises a description of the objectives of the strategy of economic changes and the reasons for its development (i.e. areas of necessary changes, new identified risks).



The performance of stage 2 results from the fact that the changeability of the environment entails the risk of changing earlier principles. The creation of the strategy of the city development should also include, apart from objectives and actions aimed at their completion, options of their modification.

The aim of developing the Strategy of Economic Changes (as well as the result of stage 2) is undertaking actions which prepare for the future (reduce the risk, moderate the effects of former events and allow for avoiding unexpected events).

The result of the Stage 2 is a review of the strategy of actions and development of key recommendations on the basis of the performed analyses.

The prioritization of projects is especially important in the era of budgetary and time limits. The preliminary observations within the scope of challenges and directions of changes have been presented in the table analyzing the present city's strategy; therefore, they will not be repeated in this section. The focus will be constituted by the presentation of the scenarios of Lublin development from the perspective of its attractiveness for investors, which will be supported by a comparison with other reference cities.

Gradual scenario of the economic development with the determination of changes of the city's position in the environment

This chapter comprises a dynamic scenario analysis of the city's economic development. The traditional perspective of the scenario analysis includes mainly a qualitative assessment of the future conditions/economic events, which are difficult to be predicted or evaluated. Besides, the analysis should include a local social-economic description and macroeconomic forecasts, which, when analyzed jointly, will delineate the future economic profile of the city.

Following the nature of the report, this scenario analysis refers only to the predicted change of the city's position in the context of its investment attractiveness. The investment attractiveness is reflected in the number of created vacancies by the FDI. The analysis presents scenarios of changes of Lublin position in comparison with other selected cities in the country, taking into consideration three dimensions, i.e.:

- Change in the number of population (migration trends),
- Change in the number of created vacancies through the inflow of foreign direct investments,
- Assigning the city to one of the four groups of the city (based on their investment and economic maturity).

The following diagram will facilitate the understanding of the principles of assigning a given city to one of the four investment maturity groups.

The diagram presents the stages of the cities' development and, in such context, their changing investment attractiveness. Potential investment locations experience gradual economic, technological and political development, which increase their maturity, perception and, as a rule, the attractiveness for investors. In this context, the whole set of factors of investment-related decision - taking should be considered, i.e. it should be assumed that along with the developmental stage, a given city becomes more and more attractive, even if e.g. it means some increase in costs of conducting activity in that city. Such development simply leads to a different investment offer of cities, which is represented with a curve, resembling in shape a product life cycle.

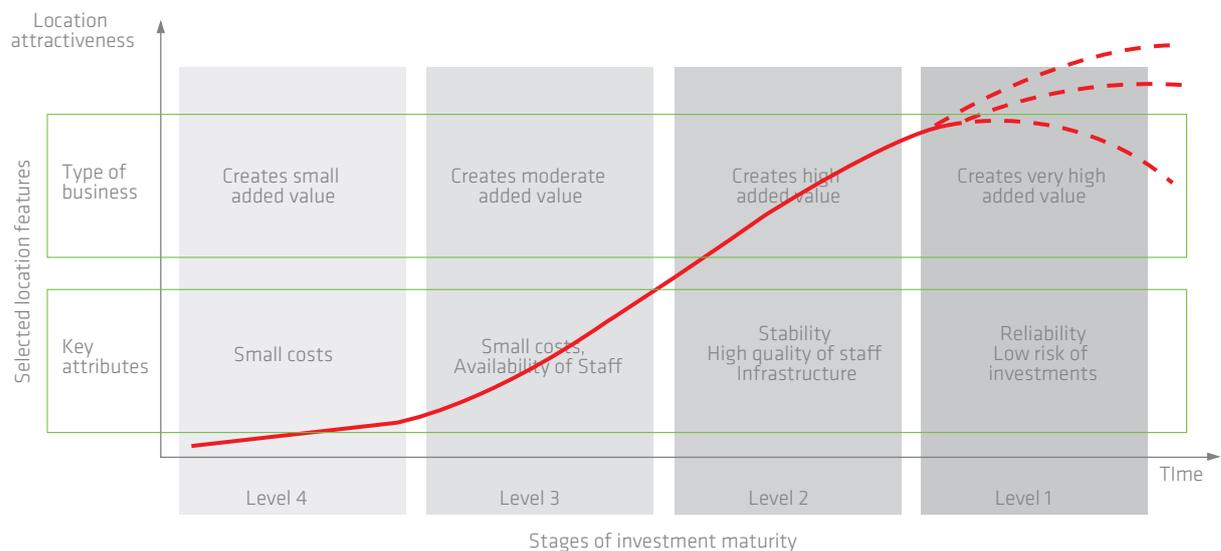


Diagram 5. Stages of cities investment maturity

Source: Own study of Deloitte

The diagram presents 4 stages of investment maturity, which will allow the local authorities to plan certain types of undertakings, for which a given city might be attractive. A detailed investment offer will, thus, depend on the perception of the degree of investment maturity and the type of business, which is to be placed at a given territory.

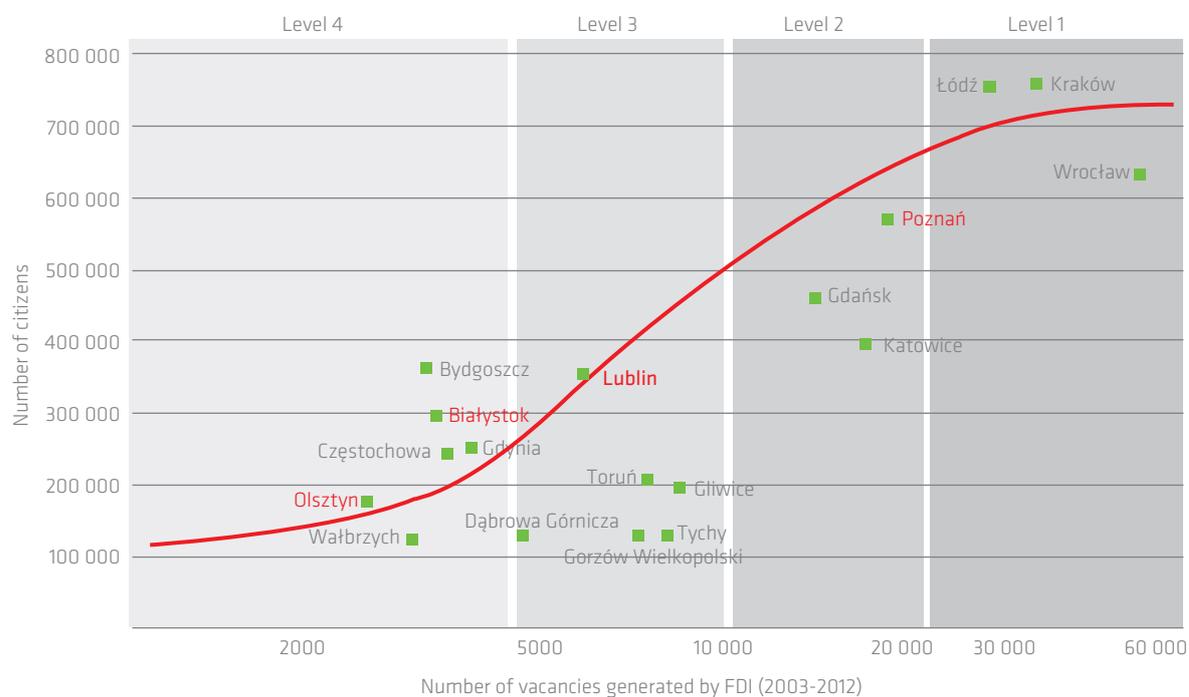
The maturity levels shall mean the following:

- Level 4 of the investment maturity – refers to cities/regions, whose main attributes are low costs of activity; type of business which might be attracted by this type of location creates small added value (i.e. constitutes small element of the value chain or the product is not processed), often the product is not very innovative. The cities classified into the level 4 of the investment activity are characterized by lower economic and technological development than that of a number of other cities, and by emigration of its citizens,
- Level 3 of the investment maturity – refers to cities/regions, whose main attribute, apart from relatively low costs, is the availability of staff; the potential of this type of location may attract investments which created higher added value due to the relatively high level of education of staff and higher, than at level 4, level of technological development; those cities, however, must undertake actions aimed at preventing the migration of

people to cities of more advanced level of economic development.

- Level 2 of the investment maturity – refers to cities/regions which are characterized by higher level of economic development, i.e. they are relatively economically, socially and politically stable, they represent high quality of staff and the availability of infrastructure. They are perceived as convenient places for business location, they host recognizable international enterprises, though, in a limited number. Such locations are not attractive in terms of costs as those representing level 3 and 4, still they may offer higher quality of the operating environment. Such cities are relatively attractive for migration; still, they compete for citizens with level 1 cities.
- Level 1 of the investment maturity – refers to cities/regions, which are characterized by high level of the socio-economic development, they are economically and politically reliable, which constitutes a relatively smaller investment risk than in the case of cities characterized by lower investment maturity. They are perceived as perfect business locations, they become the seat for international entities as well as some very innovative units. Such locations attract investments requiring highly qualified staff and generating high added value (high technology sectors); this also means that in such cities usually operate perfectly functioning centers of innovation support, research and development, as well as technological transfer, etc.

The following diagram presents the investment position of Lublin compared with selected cities in the country (Warsaw is not subject to analysis). It is worth noticing that the above definition, reflected in the diagram within the scope of individual investment maturity stages, is a model one; the assignment of cities compared with each other is rather subjective, thus, in the case of this project, the element taken into consideration was the parameter of created vacancies resulting from the FDI flow.



The diagram shows that Lublin is placed within the reference cities of the stage 3 of investment maturity.

The elaboration of the diagram presented above may be constituted by a simulation of perspectives, scenarios of the city's development viewed from the perspective of three dimensions, i.e. the number of vacancies created by FDI, the number of its citizens and the investment maturity stage.

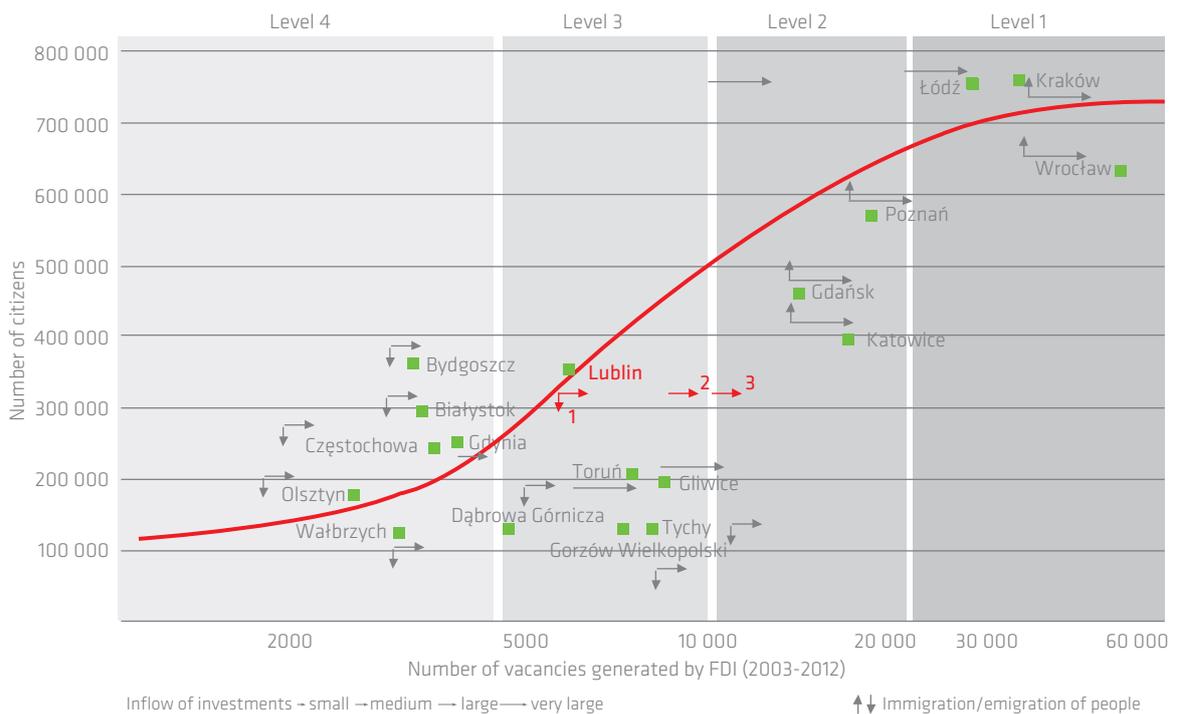
The key steps of simulation performance were as follows:

- In the case of each city presented on the diagram, a review of businesses strategic for its development was performed (based on the development strategy of a given city),
- The key businesses for those cities were compared with businesses indicated for Lublin. It should be mentioned that in the case of Lublin, the primary and supplementary businesses included the businesses that were most attractive in terms of generating vacancies (2003-2012) for FDI (both from the perspective of their value, as well as the number of created vacancies). In this scope, Lublin will be characterized by theoretically highest compatibil-

Diagram 6. The investment position of Lublin compared with other selected cities in the country

Source: Own study of Deloitte

Diagram 7. Dynamic presentation of the changes of the city's position compared with other selected cities in the country



Source: Own study of Deloitte

ity (as it is the base of comparison), indications for that city should not be taken into account, even though they were directionally presented.

- Considering the fact that those businesses represent potential within the scope of FDI and assuming that the trend connected with their big potential in terms of their inflow to the country will continue, this simulation awarded point grade to the businesses, assessing the degree of compatibility of those businesses with businesses indicated for Lublin. The point grade was diversified depending on the compatibility with the primary and supplementary businesses (higher significance of the assessment of primary branches).

The simulation results are as follows:

The length of the horizontal arrows indicates the FDI-related forecast number of vacancies, considering the principles described above.

The arrows were used to present the simulation of the direction of changes in the scope of migration trends, with the reservation that the general, negative demographic trends are omitted and the migration taken into account results from professional or educational needs. For the purposes of simulation, it was assumed that the

cities assigned to stage 3 and 4 of the investment maturity are generally characterized by negative migration balance – the arrow directed downwards, differently from the cities assigned to stage 2 and 1, which gain more due to their professional attractiveness. In the case of cities assigned to stage 2 and 1 of investment maturity, it was assumed that the migration balance is close to 0 (some of the stage 2 cities) and positive (most of the stage 1 cities) – arrow directed upwards.

It should be emphasized that this analysis (together with its principles) is not the assessment of the legitimacy of the selection of businesses in the cities accompanying Lublin for the purpose of this simulation. It is only a business comparison and an assessment of the potential of business inflow, based on actual data related to the FDI inflow in 2003-2012; still, it does not include a number of other variables, the specificity of those cities. The above diagram should facilitate the identification of Lublin competitors within the scope of a given investment offer. It should be remembered that the cities remaining in various stages of investment maturity possess different economic potential and offer other location attributes (the chart of the investment maturity stage of the cities presents some of the attributes).

Scope and schedule of monitoring the economic changes

Database of indicators used for diagnosing the city's economic standing and the scope of monitoring the economic sphere

Apart from the strategic and operational aims, as well as predicted actions targeted at their achievement, the development of the strategy of the city's development also comprises the measures of their completion. The monitoring of the strategy completion is an essential element of its implementation. The issue that is particularly important within the scope of strategy monitoring is its monitoring, not the selection of a large number of indicators. In other words, it would be better to have fewer indicators and simple ones, which will be monitored and

Table 7. Examples of parameters which may constitute a basis for the preparation of indicators that may be used for monitoring economic changes (without the value and measurement unit).

conclusions will be drawn from their analyses, than greater number of indicators, more complex ones, which will only remain on paper.

The review of strategies prepared by Polish cities proves that, in general, they are characterized by a long list of measures, which hinders the control of the strategy completion. A large number of indicators entail:

- Impediment of the analysis of results,
- Greater attention/time devoted to the preparation of indicators than their verification and the process of conclusion,
- Difficulty of the selection of measures that are key for the diagnosis,
- Difficulty in identifying the dependence/trends/directions of changes.

The indicators proposed below comprise areas crucial in terms of the assessment (diagnosis) of the city's economic situation. Each area was assigned with maximum few indicators. The monitoring indicators of the economic situation should, in particular, provide information on the trends in changes, which provide basis for conclusions and preliminary determination of directions for new and strategic initiatives.

The scope of monitoring the economic changes should comprise at least the following areas:

- Investments,
- Demography,
- Local entrepreneurship,
- Economic competitiveness,
- Research and development and innovation activities as well as tourism and internationalization.

Investments

- FDI value/ number of vacancies created by FDI in a given time unit – e.g. annually
- Number of vacancies lost for investments in reference cities¹⁰ / against the number of vacancies created in the city – e.g. for a time sequence and unanimously indicated list of reference cities, businesses (e.g. priority, additional) etc.
- List of new commenced (gained) investments/ number of inquiries addressed to the Customer Service Office with a request for a detailed list

Demography

- People's migration balance – e.g. of certain qualifications necessary for investors, monitored for a time unit.
- Participation of students of technical fields of study in the population of students (analogically for graduates) – e.g. the area may be monitored annually or in the event of implementation of one of the initiatives, i.e. the forecasting and on-line presentation of the number of graduates, even more often.

Local entrepreneurship

- Number of economic units registered in REGON (Business Registry Number) – e.g. monitored for specific businesses
- Change in the number of enterprises (net) – e.g. monitoring for primary and supplementary businesses, in a given time unit.
- Change in the number of the employed (net) – e.g. if an analysis were carried out at the level of at least key businesses as a relation of the number of the employed compared with the amount of revenue of individual units, one could draw conclusions concerning e.g. the development direction, the technological advancement of the units, at a given revenue level.

Economic competitiveness

- Amount of the rates of local taxes in the city/ against the amounts in reference cities
- The amount of an average gross pay at a given post/ against an analogous pay in other reference cities
- The price of space rental/ analogous amount in reference cities – e.g. refers to m² of office space of a given standard, logistics and storage, etc.

Research-development and innovative activities

- Outlays on the innovative activity, research and development in industrial and service enterprises/ total number of enterprises
- Number of implemented patents with the use of private capital
- The degree (participation) of private financial means in revenues of the units supporting the development of innovation (incubators, academic incubators, parks (excluding revenues from lease))

Tourism and internationalization

- Participation of the number of foreign students/ the total of students in local institutions of higher education
- Number of international students coming to the city and the region with a defined business aim – e.g. monitored on the basis of repeated, simple questionnaires carried out at airports, railway station.

A crucial issue of monitoring is the cyclic nature of its performance and designating people responsible for the monitoring.

¹⁰ Reference cities are cities of a similar economic profile, remaining at a similar investment maturity stage/ neighboring cities – indicated and selected as Cities for the performance of comparative analysis.

Schedule of monitoring economic changes

In reference to the schedule and the frequency of monitoring performance and the strategy review, there is no single best practice. It depends on:

- Final selection of monitoring indicators,
- Selection of the monitoring model, e.g. if it is performed solely by the city, or is it commissioned,
- Selection of people responsible for the supervision, performance of monitoring (depending on the monitoring model).

As a rule, the monitoring and the assessment of the strategy completion should, in our opinion, take place every 2 years, while a number of parameters of a more operational nature, e.g. the functioning of municipal bodies responsible for the investor service, the situation on the real estate market – more often, even monthly or quarterly.

Key principles of the program supporting the local entrepreneurship

The basis of the economy, not only of the Lubelskie Province but also the whole country, is constituted by small and medium enterprises, whose scope of activity is often limited to the local market. The small and medium enterprises generate c. 2/3 of the Polish GDP and employ approximately 70% of the total number of employees. In many highly developed countries, characterized by a high level of innovation, the share of the MSP (small and medium enterprises) sector in the economy is higher – e.g. in Ireland 92% among the 200 thousand registered enterprises employ less than 10 persons.

As presented in numerous examples, cities and regions of a high socio-economic development are often cities that are actively engaged in supporting local entrepreneurship. The necessity of providing favorable conditions for the development of the local entrepreneurship by the authorities of the city and the region results from a number of factors, among which, the following aspects should be enumerated:

- „Keeping Dollars in Local Economy”
Local enterprises reinvest a significant part of the revenue gained in the local economy, contributing to the improvement of the general social-economic situation of the city and the region.
- Labor market
Local entrepreneurs contribute to the improvement of the labor market in the region, using a greater number of local human resources. The pay level in local enterprises is often higher than e.g. in enterprises of a chain-nature functioning at the territory of the whole country, providing the employed with higher purchasing power. Supporting self-employment is also one of the most effective forms of preventing unemployment.
- Sensitivity to sudden changes of the business environment
The diversification of the economic activity among a greater number of small units also contributes to the lowering of the sensitivity of the local economy to the changing business conditions (e.g. effects of liquidation of a dominating plant in the region). Smaller local enterprises are also more elastic, the decision-making process is faster, which simultaneously allows for faster adjustment to the changing business environment.
- Development of ‘pro-business’ behavior
The observed effect of the development of local enterprises is the mobilization of business behavior among the remaining part of the local society. In such way, in a long-term, the development of local enterprises contributes to the establishment of new enterprises (the phenomenon is often called ‘snowball effect’).
- Revival and revitalization of the public space
Small local entrepreneurs, e.g. owners of shops, catering outlets contribute to the general revival of the place where they function, contributing at the same time to the improvement of the quality of the public space. The high quality public space translates into more effective

use of public resources, including, among others, transport, the media, which, as a result, means lower costs and environmental load.

- **Competitiveness**

Local entrepreneurs affect the regional market, increasing the availability of goods and services, at the same time positively affecting (among others) the price competitiveness and the level of innovation.

- **Promotion of the city and the region**

Local enterprises offering high quality and commonly recognizable products and goods contribute to the promotion of the city and the region. The profile of the local enterprises often defines the nature of a given city and the region.

In the process of creating conditions favorable for the development of the local entrepreneurship, the municipal and regional authorities may use various tools and solutions. As a result of the analysis of the Lublin situation and conditionings, both the Report 1 and this Report 2 present a number of recommendations targeted at the improvement of the quality of functioning of the municipal services; indicate the need for permanent contact, exchange of experience and opinions, etc.

The examples below present selected good practices within the scope of supporting local enterprises/potential entrepreneurs, used in other cities; which may and should act as a form of inspiration for the city's authorities.

The nature of the presented solutions is varied and comprises both the financial forms of support for enterprises by the public authorities; examples of mobilization projects of pro-business behavior among youth, as well as the engagement of entrepreneurs as stakeholders of public projects.

Example of 'good practice'

City, Country: Offaly County, Ireland

Good practice: Support within the scope of reduction of operating costs of business activity

Description of 'good practice'

Local authorities initiated a program of support for local enterprises by organizing and co-financing audit costs of the water use by local entities conducting hotel and catering activity.

Results

- The project initiated by the local authorities resulted in the real cost reduction of conducting operational business activity by enterprises.
- The enterprises covered by the program registered saving of 41-83% of the water use costs.
- The project also contributed to the promotion of solutions and pro-ecological behavior.

Key factors of the city's success- „lessons learned”

- Precisely defined project objective, targeted at the development of real and measurable savings by enterprises.
- Completion of projects bringing benefits both for enterprises, the city, as well as the whole local community (by decreasing environmental loads).

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