

Krynica 2019 Polish Economic Forum – MCI debate – Digital Economy at Fusion Point: is Poland and Other CEE Countries Gaining the Critical Mass?

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DIGITISATION OF INDUSTRY, SERVICES AND TRADE HIDES AN ENORMOUS POTENTIAL

“We need conditions for development,” says the business. “There will be changes,” assures Wanda Buk, Deputy Minister of Digital Affairs.

“Polish digital economy is developing very quickly; however, we are still a long way below the EU average,” said Tomasz Czechowicz, MCI Capital Founder and Managing Partner.

Digital Economy at Fusion Point: is Poland and Other CEE Countries Gaining the Critical Mass? was the subject of a discussion panel organised during the Krynica Economic Forum with participation of experts from the largest Polish and foreign companies.

Polish digital companies choose entertainment

“In our region, the fastest-growing are Czech companies, followed by those operating in the Baltic States,” enumerates Tomasz Czechowicz. “Despite the growing number of transactions with global private equity funds relating to tech companies, still nobody has got close to the value of the acquisition of Allegro for over USD 3 billion in 2016.”

In terms of capitalization, a company standing out on the Polish market is CD Projekt

RED, which can be regarded as a global champion.

In the opinion of Tomasz Czechowicz, the investors seeking opportunities can expect that future stars in the digital market in our region will be located in Estonia, which specialises in fintech, in Poland, which has the best results in games and entertainment, and in Czech Republic and Slovakia, where the companies choose to develop software, in particular in the cyber security area.

“The value of transactions in the digital private equity market is growing, having doubled in the last 12 months, and it has already reached around \$2 billion,” concluded Tomasz Czechowicz. “The number of investments involving global venture capital funds such as Sequia or Accel, is also growing. However, these are still single transactions.”

Digitise or die

“As we look at the importance of the new economics, it does not represent a significant part of the economy. Only digitisation of the traditional economy will create huge opportunities for development,” noted Stanisław Sawczyn from Rothschild & Co. “Transport and logistics are changing, mining is getting digital and automated. Tourism goes online. There are sectors which are very difficult to digitise, e.g. the construction industry. We must remember, however, that the existing potential of our region, which was largely based on cheap labour, is already being exhausted. On the other hand, it is the ownership barrier in the largest companies that may constitute an impediment to development”.

“New areas need support, including capital support,” added Tomasz Czechowicz. “And this is a major gap, in particular at the medium level.”

“We try to encourage small companies to become more and more digital, and to support them with appropriate actions and programmes,” assured Robert Redeleanu, President of the UPC Polska Management Board. “However, low level of the state services digitisation constitutes a significant barrier to their development. And this is of great importance for the development of digital economy.”

“States that do not invest in digital infrastructure do not develop more slowly; they shrink,” commented Wiliam Ribaud, Deloitte Managing Partner. “Our analyses indicate that, wherever the government supports development of digital business, it begins to grow, which then translates into a GDP growth.”

“We are becoming constantly more dependent on the digital technology. This is a major safety challenge,” stated Wanda Buk, Deputy Minister of Digital Affairs. “It was a stimulus for the government to engage in the development of ICT infrastructure. Until now, the state has not intervened in numerous areas. This allowed for their quick development. The Polish-American agreement creates a framework for a secure new system. The agreement does not exclude any provider of such services. The ICT area is crucial and critical in this regard.”

Competition does not sleep

Growth attracts investors, as well as competitors. However, the VAT or GDPR restrictions do not apply to foreign players. “This problem will be of increasing importance,” notes Damian Zapłata, Member of the Allegro Management Board. “It’s the regulator’s role to ensure that Polish companies function along the same lines as global ones.”

“The regulator’s activity should be and will be more intensive,” assured Wanda Buk, Deputy Minister of Digital Affairs. “However, I do think that the barriers should not be identified by officials, the initiative must come from the private sector.”

Tomasz Czechowicz pointed out that it is important to recognise the role of investors in the process of digital transformation of mature companies, whose impact on individual sectors and the whole economy is significant. “Here, we also see an area for our intervention, which brings the best returns to our investors,” concluded Czechowicz.