



# Investment Climate in Poland

**Report from the survey conducted by TNS Pentor**

September 2011

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## Introduction

**Foreign investors appreciate Poland for its high extent of internal demand, accessibility to qualified working force and political stability** – this is a conclusion drawn from the latest, and already the fifth survey wave of the Investment Climate in Poland.

Nonetheless, the picture of investment climate should be considered in a wider macroeconomic context. A single economy and market do not exist separately, but they constitute a part of a larger entirety. Depending upon the perspective adopted, a more extensive level of analysis for Poland may be the area of Central and Eastern Europe, the European Union and finally, the global market. The events taking place in these markets have a direct and indirect influence on the situation in our country.

Despite high importance of external factors, a general internal economic, political, social and legal situation exercises an influence on the investment attractiveness of a specific country. Poland is placed near the world's top in the target countries ranking for BIZ in years 2011-2013<sup>1</sup>. The latest survey wave indicates positive assessments of the investment climate in Poland. Interestingly, the investors assess the investment climate better than in 2007 when the first survey edition was conducted. What are the decisive factors of the investment attractiveness of Poland?

**Poland is perceived as a country of a stable political, legal and economic situation.** In the 2011 OECD yearbook, Poland in terms of public finances resembles Germany, Austria and Sweden rather than Ireland, Spain or Greece. A stable public financial sector is translated into operating conditions for private companies.

Poland stands out among other countries in terms of **potential offered by the labor market**. Relatively low salaries, a moderate unemployment rate, an increase in production efficiency as well as constant improvement of the Poles' level of education create susceptible conditions for location of foreign investments. Poland has been regularly improving its position in the OECD rankings presenting the education survey results. As a result of an educational boom 30% of people aged 20-29 study at higher education level (the average in the OECD countries is 25%)<sup>2</sup>.

**A majority of investors (70%), who were asked about the crisis in the latest survey wave declare that they still feel its effects. On the other hand, they realize that Poland feels the effects of the financial crisis to a lesser degree than other countries.** A growth of GDP, although

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<sup>1</sup> United Nations Conference on Trade and Development.

<sup>2</sup> The PISA survey conducted by the OECD.

lower due to the crisis, is still twice as much higher than in other large EU countries. It is directly translated into perspectives for the investors, i.e. the access to entrepreneurial credit has not been so drastically reduced as in other EU countries or the United States.

Poland is characterized by a long-term upward trend. A part of the reason for it lies in a less developed economy compared to Western countries. Despite the differences between Poland and EU countries are still considerable; they are diminished thanks to continuous development and a lesser impact of crisis.

**Poland is located in the center of Europe**, at the crossroads of important communication routes. This fact provides convenient access to the markets of Eastern and, above all Western Europe, in particular upon accession to the EU structures trade facilitation with this region. Favorable air, road, train and sea connections with the main capitals in the continent facilitate the logistic process.

**The presence of other international concerns in Poland is also important for foreign investors.** If their business partners are already present in the Polish market, they are also interested to enter our markets themselves. As regards the presence of international concerns, Warsaw is on the 5<sup>th</sup> position in Europe and the 12<sup>th</sup> in the world. In the capital of Poland operate 150 out of 280 giants considered by renowned specialists of CB Richard Ellis the most international ones<sup>3</sup>.

It is also worth mentioning, that the **internal market in Poland offers significant potential**. A population of 38 million citizens provides a market for the goods produced goods and the services offered. Internal consumption in Poland has been stable.

These are only some factors deciding that the investors perceive Poland an adequate location for investments. The investors check a location considering 20-30 criteria covering both macro-scale and detailed information concerning specific locations.

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<sup>3</sup> CB Richard Eblis, report Global Office Locations 2011.

## 1. Information about the survey

The survey of investment climate in Poland is conducted periodically. Every year the Polish Agency of Information and Foreign Investments asks companies investing in Poland to assess the current investment climate and the most important areas that may influence the manner this climate is perceived.

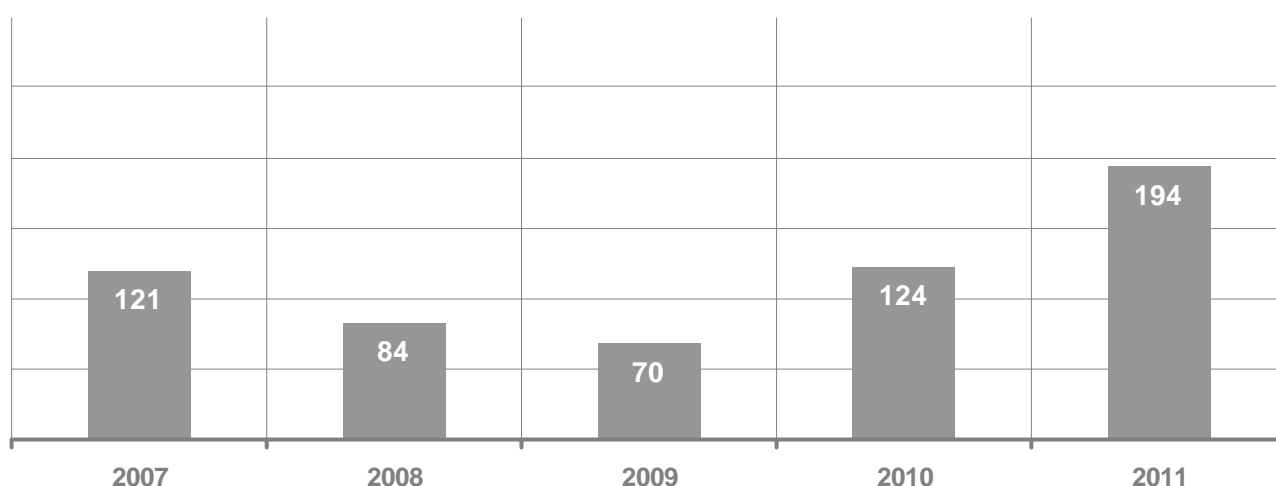
In 2011 PAIiZ asked three types of the following institutions to participate in the survey:

- companies served by PAIiZ in the recent years (about 250);
- companies from the "List of the Largest Foreign Investors" (about 2000);
- members of bilateral chambers with foreign capital.

The survey data was collected by means of an Internet questionnaire. The choice of method arises from a need to provide maximum comparability of results (in the previous years the survey was conducted in the similar manner) as well as the most convenient type of questionnaire to respondents.

In the framework of the survey 194 effective interviews were obtained. This number is significantly higher compared to the previous years. Detailed information about the number of interviews carried out in the framework of the survey and the investment climate in Poland is presented in chart 1.

**Graph 1 Number of effective interviews in the next survey waves**



## 2. Description of companies participating in the survey

The companies that took part in the survey may be described by means of a few parameters. The first one is their operation period in Poland. The average operation period in Poland of the surveyed companies is 13 years. Only one third of the companies (31%) participating in the survey has operated in Poland for more than 5 years. Representatives of this company group assess slightly higher the aspects of road infrastructure, clarity and consistence of tax, construction and public procurement regulations than representatives of the enterprises operating for a longer period of time.

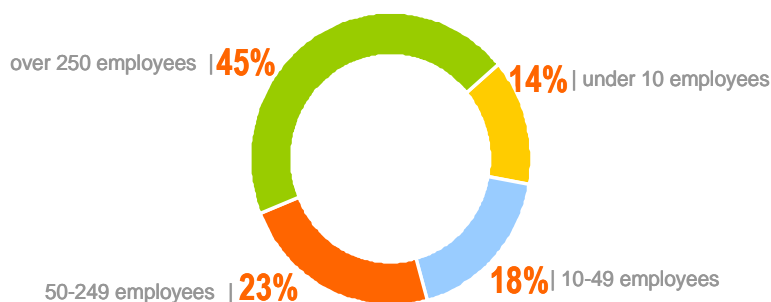
In terms of the scale of employment most of the companies participating in the survey are large-sized enterprises employing over 250 persons. They constituted 45% of the companies participating in the survey. The representatives of large-sized enterprises assess slightly better the majority of areas influencing the investment climate. The most important differences are observed in the assessment of the following aspects: consistence of legal regulations, infrastructure condition and protection of investors' rights.

Another piece of information about companies participating in the survey is a foreign capital share. In case of 6 out of 10 companies participating in the survey the share of foreign capital exceeds 50%.

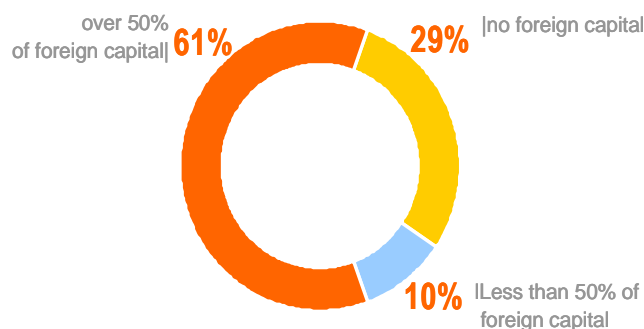
**Graph 2 Years of presence in Poland**



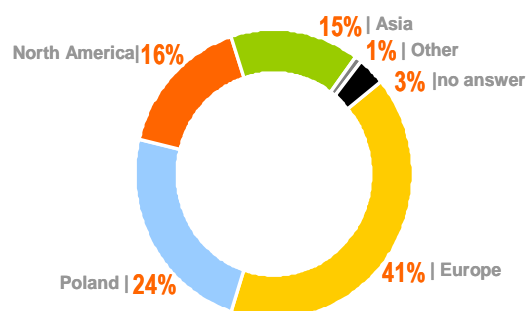
**Graph 3 Employment**



**Graph 4 Foreign capital share**



**Graph 5 Country of origin of the prevailing capital**



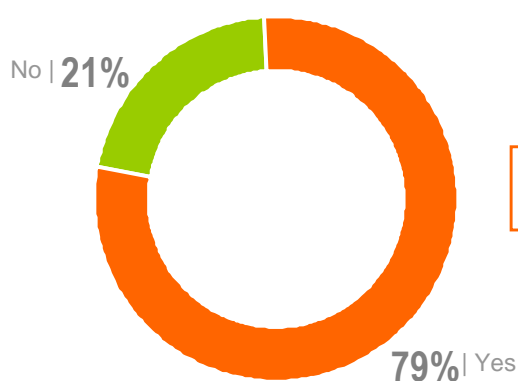
The foreign capital share does not significantly differentiate the economic climate assessment nor specific areas influencing this climate. The only noticeable differences in the assessment concern the issues of road infrastructure, easiness to start an economic activity, accessibility to materials, raw materials and components. Companies with foreign capital exceeding 50% give more negative assessments in all the areas mentioned above than companies with a lower share of foreign capital.

As regards the country of origin of the prevailing capital of the companies participating in the survey is very fragmented. In two thirds of companies the prevailing capital comes from Europe. The prevailing capital from Northern America and Asia constitutes 16% and 15%, respectively.

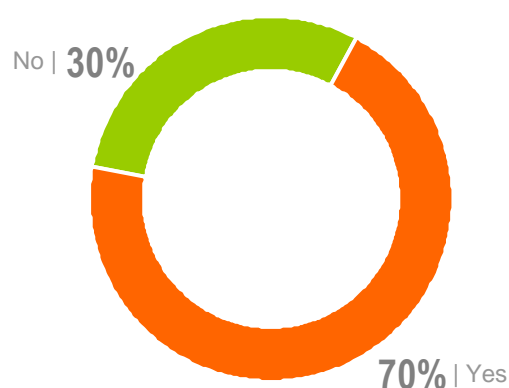
The representatives of companies participating in the survey were also asked if the impact of crisis was felt in their sectors and if it is still felt.

#### Graph 6 Effects of the economic crisis

*Did the crisis of 2008-2009 have an impact on the sector where the company operated?*



*Are the consequences of crisis in the sector where the company operated is still felt?*



Four out of five (79%) respondents admitted that the crisis of 2008-2009 had an impact on their sector. A large majority within this group (70%) declares that the effects of crisis are still felt, whereas 30% of respondents admit that the consequences of crisis do not concern their sectors any more. Thus over a half of the companies surveyed has felt some consequences of crisis from its beginning to the present time. This fact appears to confirm a hypothesis that currently we are facing a so-called *crawling crisis*. For this reason a definite end of the economic crisis shall not be announced in the nearest future.

Nonetheless, over a half of (52%) the companies participating in the survey declared that their turnover increased in the past year. In turn 21% of respondents expressed the opposite opinion,

whereas 27% of the surveyed declared that their turnover did not change in a significant way. In most of the cases the turnover change did not exceed 15%.

**Table 1. The company's turnover change in the recent year**

Turnover – change direction	change	N	%
Growth	>50%	11	6%
	30-50%	9	5%
	15-30%	34	18%
	<15%	46	24%
No change	-	53	27%
Fall	<15%	20	10%
	15-30%	12	6%
	30-50%	5	3%
	>50%	4	2%

A significant increase or decrease in turnover usually entails employment changes. This fact applied also to the companies surveyed. A majority of them (46%) does not plan to change the employment scale in the nearest future. Two out of five companies under survey declare a willingness to increase the number of employees, whereas 13% make opposite statements.

**Table 1. Planned employment changes**

Planned employment	change	N	%
Growth	>30%	17	9%
	20-30%	8	5%
	10-20%	26	13%
	<10%	28	14%
No change	-	90	46%
Fall	<10%	14	7%
	10-20%	5	3%
	20-30%	2	1%
	>30%	4	2%

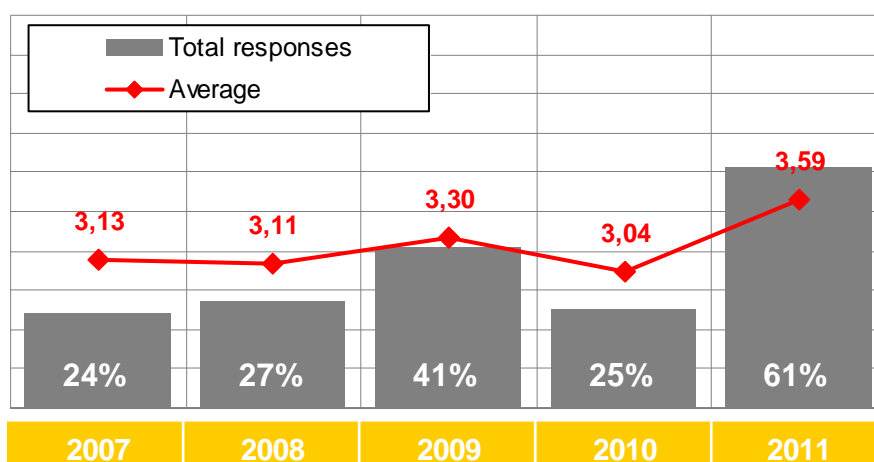


### 3. Assessment of Investment Climate in Poland

#### 3.1 General assessment of Investment Climate in Poland

The survey respondents assessed the investment climate in Poland by means of a 5-point grading scale, where 1 was attributed to a very bad and 5 very good mark. Six out of ten representatives of the companies surveyed assessed the investment climate in Poland very good [mark: 5] or good [mark: 4]. The average assessment of the investment climate in Poland equaled 3.59.

**Graph 7 Assessment of Investment Climate**



A comparison of results obtained in the present survey wave clearly indicates that the currently observed assessment of the investment climate is the highest of the last 5 years. Therefore it is worth asking about the factors that decided about such a clearly better assessment of the investment climate in Poland.

In order to respond to this question, it shall be helpful to analyze the present marks of specific areas that may influence the assessment of the investment climate and compare them with the marks obtained in the past years. Similarly as in the previous years, also in this survey wave the respondents besides the investment climate assessed the following areas:

- Political stability;
- Ease to start an economic activity
- Assessment of the internal - Polish - market size
- Assessment of the European Union market
- Condition of infrastructure (altogether), including:
  - roads

- telecommunication
- utilities (gas, electricity, sewerage system, etc.)
- Clarity and consistence of legal regulations (altogether), including: in the field of
  - taxes
  - public procurement
  - construction
  - copyright protection
  - labor law
- Efficiency of commercial courts of law
- Quality of the land for investment offered
- Real estate purchasing process
- Accessibility to qualified workforce
- Labor costs (altogether), including:
  - payroll
  - non-payroll
- Financing possibilities
- Tax burden (altogether), resulting from:
  - CIT
  - PIT
  - ZUS [*Social Insurance Company*]
  - VAT
- Accessibility to materials, raw materials and components
- Enterprise inspections and controls
- Protection of investors' rights
- License and/or concession granting process
- Cooperation with local administration
- Cooperation with central administration

### 3.2 Macroeconomic conditionings

The aspects mentioned above may be grouped into a few broader areas: The first one include macroeconomic conditions that includes the following issues: market size, political stability,

accessibility to production factors, access to qualified labor force, labor costs and tax burden. Now we are going to analyze the assessments of specific aspects in this area more in detail.

### 3.2.1 Market size

The size of market is one of the basic factors that may influence the assessment of the investment climate. The entrepreneurs participating in the survey were asked to assess the size of the Polish and the EU markets.

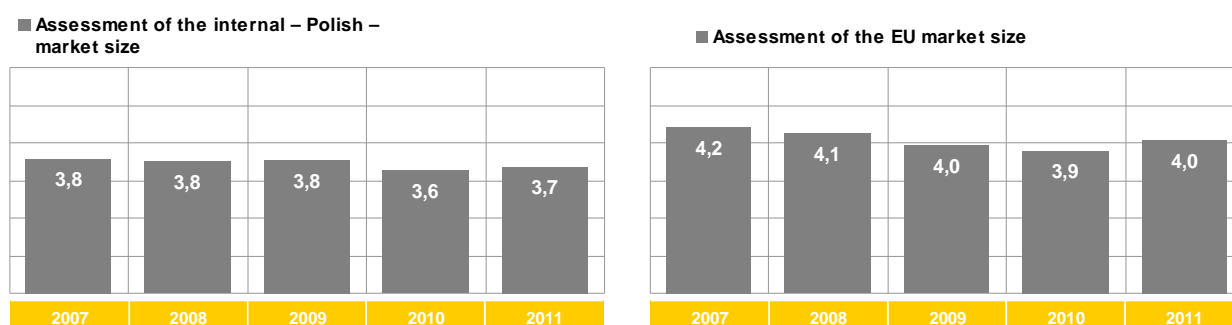
Similarly as in the previous waves, the EU market was considered more attractive than the Polish one. The size of our national market was assessed as very good by 61% of respondents, whereas the size of the EU market received a very good mark by 71% of the representatives surveyed.

**Graph 8 Assessment of the Polish and EU markets in 2011**



It is also worth considering, that in years 2007-2009 the difference in the average assessment of the size of both markets decreased twice (0.41 – in 2007; 0.2 in 2009). However, both in 2010 and at present this difference becomes wider. Yet, it has to be emphasized that both of the analyzed areas received the highest marks in the present survey wave.

**Graph 9 Assessment of the Polish and EU markets in the next survey waves**

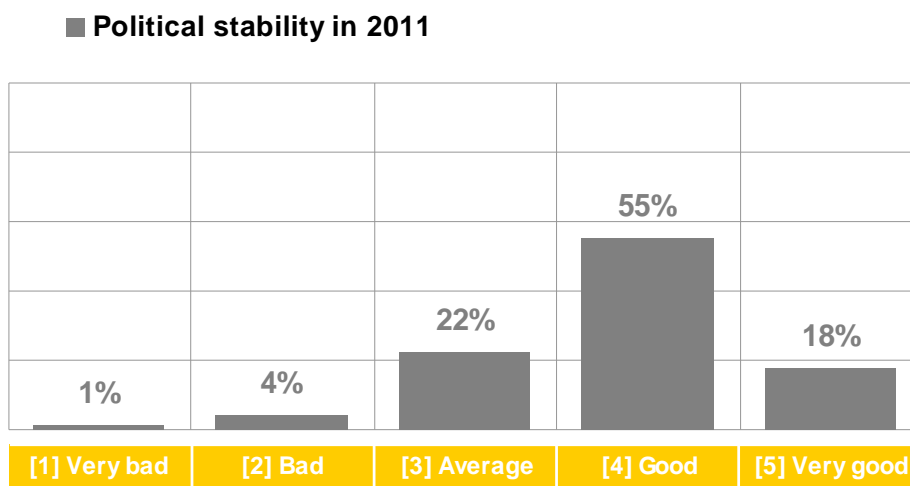


### 3.2.2 Political conditionings

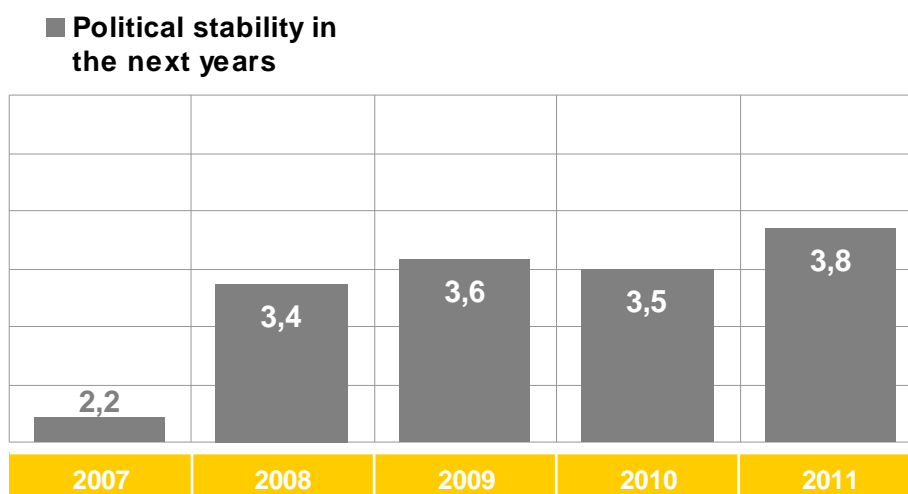
It is hard to imagine foreign investors locating their capital in a politically unstable country. That is why, political stability has to be considered as a *sine qua non* for efficient gaining of foreign investments. It has to be remembered though, that this prerequisite is not always sufficient to achieve success (this issue is discussed further in respect of the importance of specific aspects).

In the present survey wave political stability was one of the better marked aspects. Nearly three fourths (73%) of respondents assess it as good or very good.

**Graph 10 Assessment of political stability in Poland in 2011**



This aspect has not always been so widely approved by the investors participating in the investment climate survey. In 2007 it was one of the five lowest assessed aspects. However, the assessment of this area was gradually increasing in the following years.

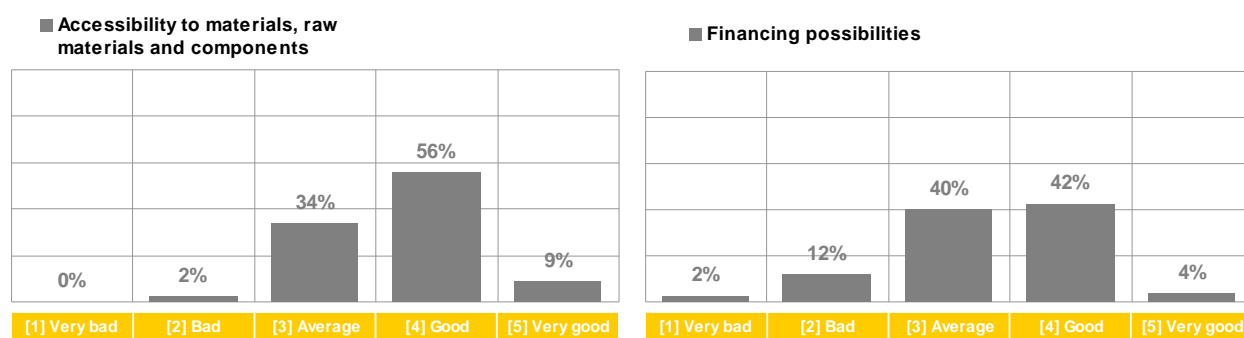
**Graph 11 Assessment of political stability in Poland in the next survey waves**

In the period from 2007 to 2011 the average assessment of political stability increased by 1.6, which is the highest growth from all the areas surveyed in this time.

### 3.2.3. Accessibility to production factors and financing possibilities

Means of production include traditional raw materials, capital and labor. Now we are going to focus on the two first issues.

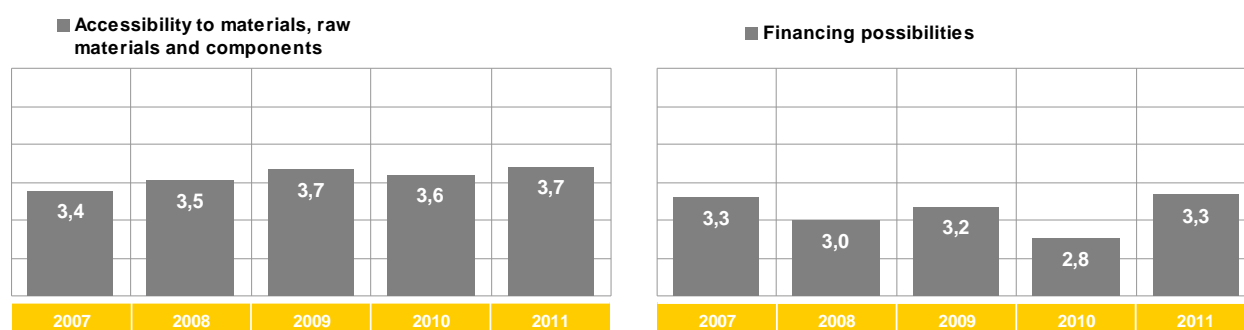
Accessibility to materials, raw materials and components is one of the better assessed areas in 2011. Two thirds of respondents (65%) assess it as good or very good.

**Graph 12 Assessment of accessibility to production factors and financing possibilities in 2011**

Unfortunately, they do not refer to financing possibilities. The assessment of this area was particularly low in 2010 which may be related with the appearance of financial crisis and limiting of

credit action not only by the banks in Poland, but also in the world.<sup>4</sup> At present, this area is assessed significantly better. Nearly a half (46%) of respondents assesses it as good or very good. Compared to the previous year it grew by as much as 51%.

**Graph 13 Assessment of accessibility to production factors and financing possibilities in the next years**



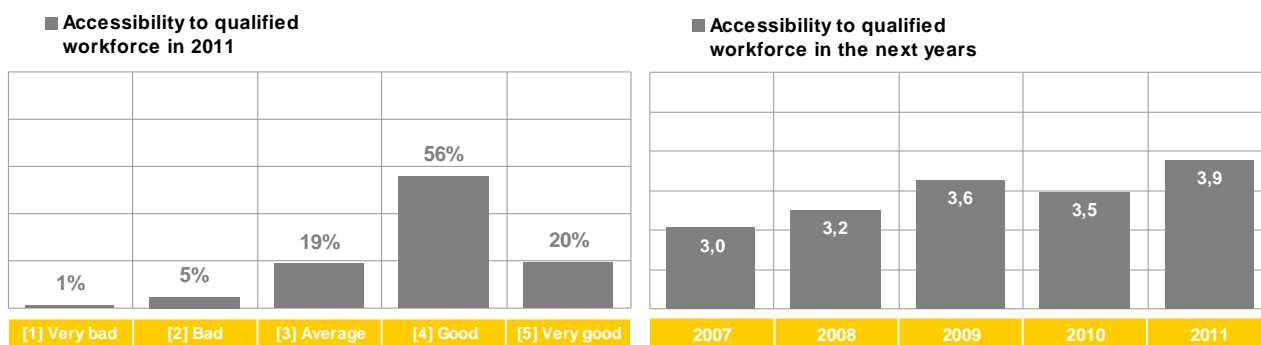
### 3.2.4. Gaining workforce and labor costs in Poland

Labor and manpower should be considered a particularly significant production factor due to a growing importance of the service sector in the global economy, and know-how as a key value.

The entrepreneurs participating in the survey could assess accessibility to qualified workforce. Three fourths (75%) of respondents assess it as good or very good. It is the second best assessed area in 2011.

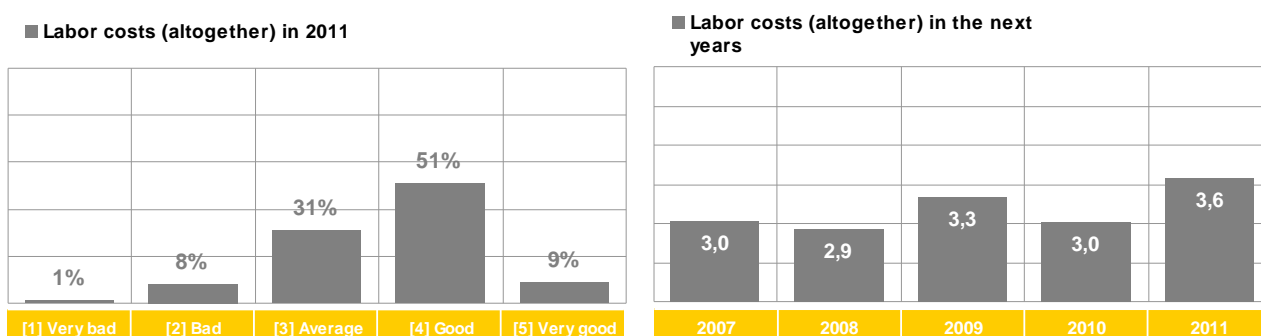
<sup>4</sup> In 2010 the growth dynamics of the credits granted in the entire economy was positive. As regards the sector of large-sized enterprises, the total amount of the credits granted in 2010 was lower than in the previous year. According to the authors of the *Report on the condition of Polish banks in 2010: Low dynamics of credits for the sector of enterprises observed recently is related to the end of a peak phase of prosperity in the Polish economy (2007) and the escalation of the global financial crisis in the second half of 2008 and in the beginning of 2009. On the one hand, it lead to a decreased activity of a part of Polish enterprises (and thus a drop in demand for credits) and on the other hand, to establishing a stricter credit policy of banks.* Source: The Polish Financial Supervision Authority, *Report on the condition of Polish banks in 2010*, Warsaw, 2011;

[http://www.knf.gov.pl/opracowania/sektor\\_bankowy/raporty\\_i\\_opracowania/publikacje\\_sektora\\_bankowego/index.html](http://www.knf.gov.pl/opracowania/sektor_bankowy/raporty_i_opracowania/publikacje_sektora_bankowego/index.html)

**Graph 14 Assessment of accessibility to qualified workforce in 2011 and in the previous years.**

This is also the area with one of the highest percentage growths of investors assessing it positively in the last five years. In 2007 less than one third of respondents (32%) assessed this area as good or very good. Presently, these marks are given by 75% of the representatives surveyed that is 2.3 times more.

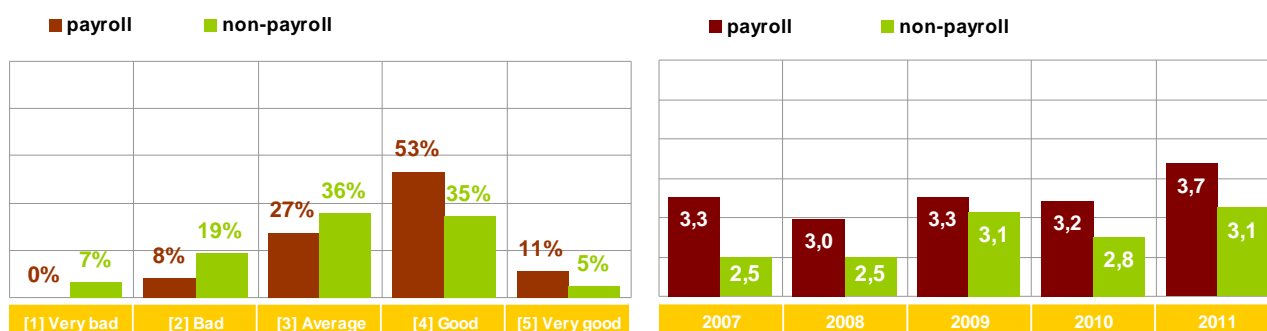
The respondents were also asked to assess the employment costs of Polish manpower. They expressed their opinions on the labor costs in general as well as two main labor cost components that is payroll and non-payroll costs.

**Graph 15 Assessment labor costs (altogether) in 2011 and in the previous years**

A general assessment of labor costs is currently clearly higher than a year ago. The percentage of respondents assessing this area as good or very good nearly doubled (2010 – 31,5%; 2011 – 60%).

Payroll and non-payroll labor costs are also assessed higher than in the previous survey waves. It has to be emphasized though, that a considerable gap between these two elements still remains, and similarly as in the previous years, payroll costs are assessed significantly better than non-payroll costs.

**Graph 16 Assessment of payroll and non-payroll labor costs:  
in 2011 and in the previous years**

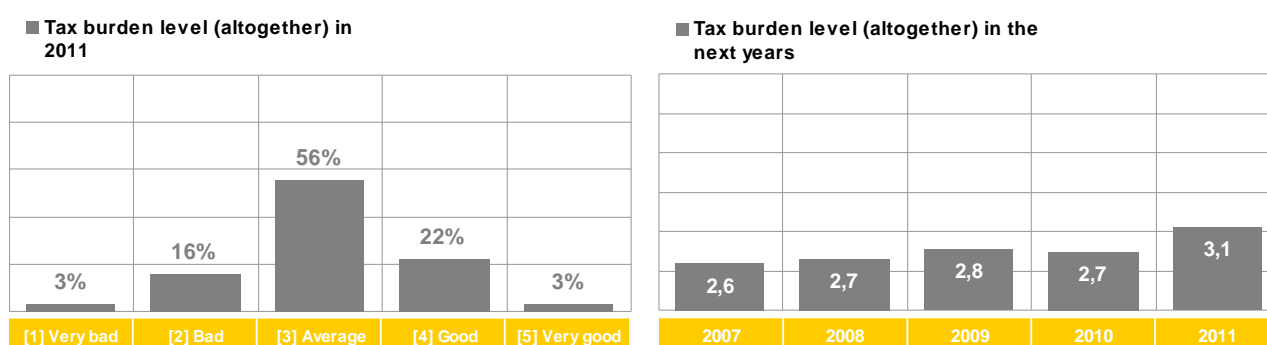


It is worth considering, that although no one assessed non-payroll costs very bad, 7% of respondents gave payroll costs such marks. Thus a moderate positive general assessment of labor costs results, above all from a competitive level of payroll labor costs.

### 3.2.5. Tax burden

The entrepreneurs surveyed were also asked to assess the level of tax burden. In 2011 a general assessment of this area was neither the best nor the worst, although it was below the average assessment for all the aspects surveyed.

**Graph 17 Assessment of tax burden (altogether) in 2011 and in the previous years**



One fourth of respondents assessed the tax burden as good or very good which was over twice as many as in the previous wave. However, it is worth taking into account that the percentage of extremely positive assessments did not change significantly (2010 – 2%; 2011r. – 3%). It means that the entire growth is attributed to moderately positive marks. There are less negative marks than a year ago (2010

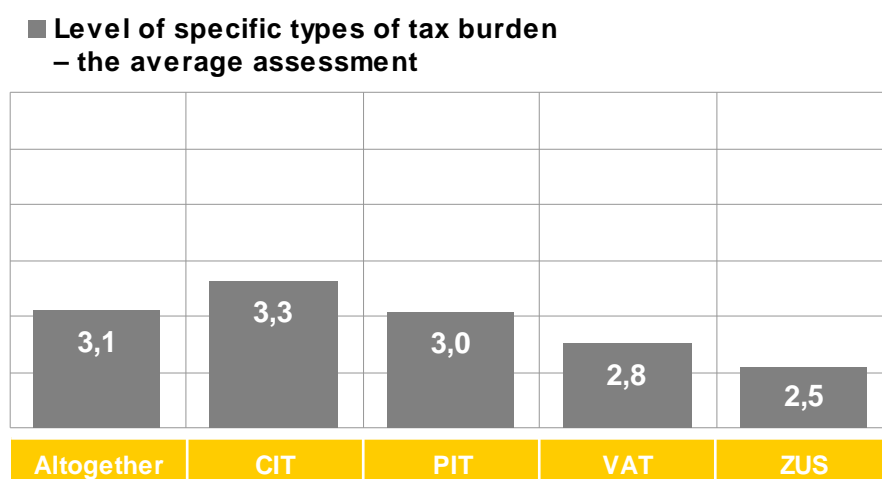


– 32%; 2011 – 19%). Similarly as in the previous survey waves the most frequent mark given by the respondents was average.

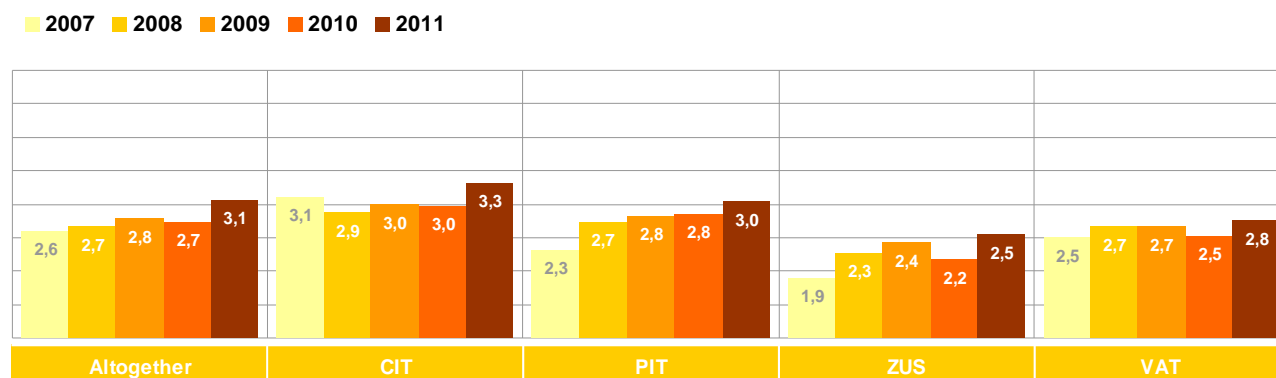
It will be easier to understand why average marks prevail in this area, if we analyze the assessments of specific types of tax burden. In fact, the respondents assessed not only a general level of tax burden, but also their specific types: CIT, PIT, VAT and ZUS.

The analysis of the average assessments of specific types of tax burden clearly indicates that they are quite considerably different. The amount of corporate income tax (CIT) was assessed as relatively good. Yet, the same marks were not given to the rates of the goods and services tax (VAT). The social insurance burden (ZUS) was received particularly low marks, which appears consistent with the assessment of non-payroll labor costs discussed above.

**Graph 18 The average assessment of specific types of tax burden in 2011**



CIT and PIT received relatively good marks, whereas two other types of tax burden were assessed lower. This fact was not only observed in the present wave, but also in the previous surveys of the investment climates. An assessment ranking of specific types of tax burden remained stable, due to the fact that all the elements assessed in this area received slightly higher marks than a year ago and the growth scale was so similar that it did not disrupt the assessment ratio.

**Graph 19 The average assessment of specific types of tax burden in the next years**

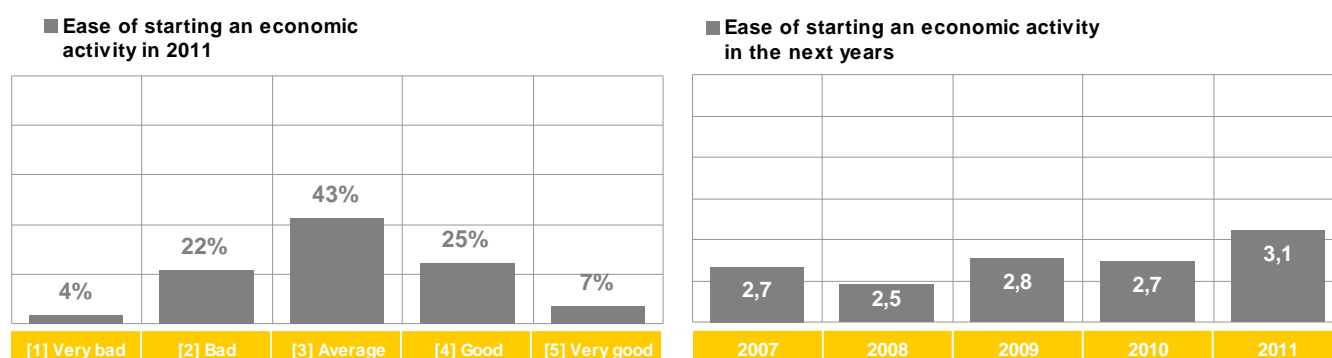
A comparison of the average assessment of specific types of tax burden indicates increasing assessments in the scope of PIT and ZUS (with a small disruption in 2010). In the case of other taxes rather stable assessments are observed.

### 3.3. Assessment of public institutions

The influence of legal and institutional environment on enterprise functioning is not lower than that of macroeconomic conditionings. In the next chapter we are going to discuss the investors' assessments in the areas of: procedures related with establishing a business, legal regulations pertaining to specific fields of enterprise operation, procedures of law enforcement as well as cooperation with local and central administration.

#### 3.3.1. Procedures related with establishing a business

The issue of facilitated procedures of starting an economic activity aimed at entrepreneurs is always present in the public debate. In the present survey edition this area was assessed as average (generally, it has never received neither the best nor the worst marks). This aspect is assessed negatively by one fourth (26%) of respondents. One third of them (32%) express positive opinions in this respect. A majority of respondents gives the average mark.

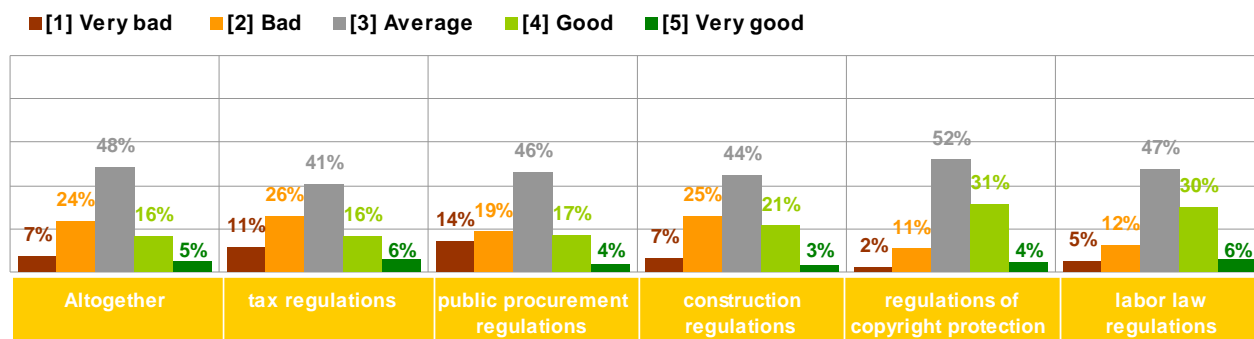
**Graph 20 Assessment of the ease of starting an economic activity in 2011 and in the previous years.**

Currently, the percentage of investors who do not assess this area positively is clearly lower than in one the first surveys (in particular in 2008). In the same time, we observe a higher percentage of positive assessments. It is translated into a higher average mark of this aspect than in the previous years.

### 3.3.2. Legal regulations in Poland

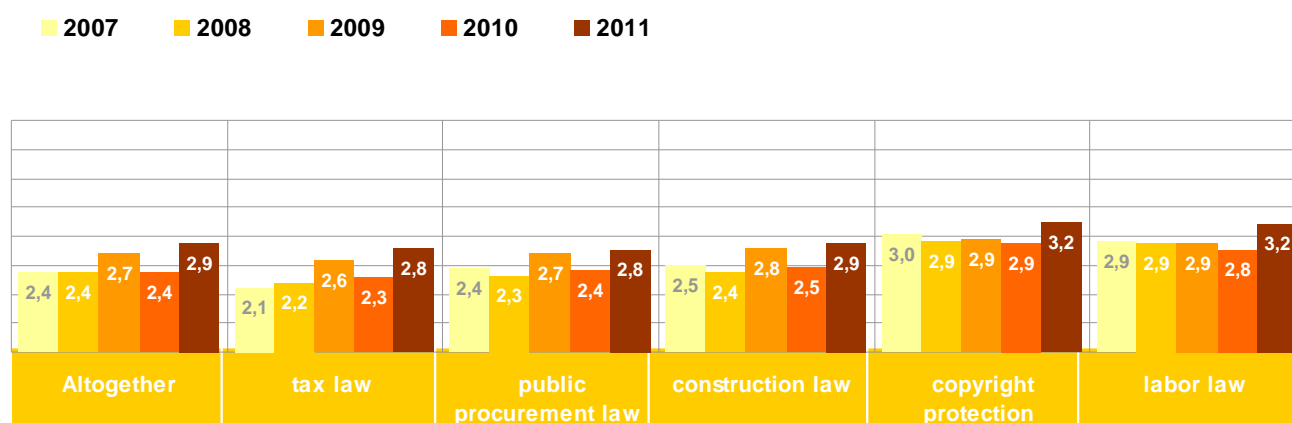
Legal regulations provide for company and intercompany operating procedures as well as rules of contacts with other entities. Therefore the analysis of the investment climate determinants should include an assessment of legal regulations. The respondents surveyed were offered a possibility to provide a general assessment of legal regulations and their specific fields.

Legal regulations (altogether) are the second worst assessed area in the present survey edition. Only infrastructure was assessed worse. Only one fifth (21%) of respondents assesses legal regulations (altogether) as good. It is worth underlining, that not all the fields of law were assessed so negatively. In the framework of this area there are elements assessed relatively higher, such as copyright provisions (35% of positive marks), labor law provisions (36% of positive marks), and the ones assessed significantly lower that is public procurement law (21% of positive marks) and tax provisions (23% of positive marks).

**Graph 21 Assessment of legal regulations in 2011**

Both in the case of the general assessment of legal regulations and three out of five of the fields assessed the percentage of negative marks (marks: 1 and 2) prevails over the positive ones (marks: 4 and 5).

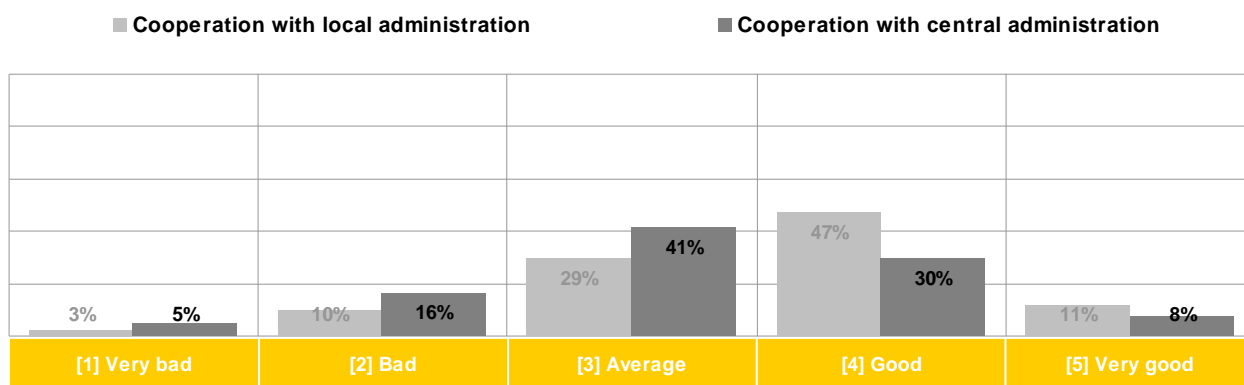
It has to be pointed out that compared to the previous waves the assessment of this area is higher. An analysis of specific fields of law indicates that their assessments are less diversified. At present, no field is assessed as absolutely positive or absolutely negative. There are rather the fields that (traditionally already) are assessed slightly higher such as copyright protection, labor law, and those marked slightly lower that is public procurement law, tax provisions and construction law.

**Graph 22 Assessment of legal regulations in the next years**

### 3.3.3. Cooperation with the administration

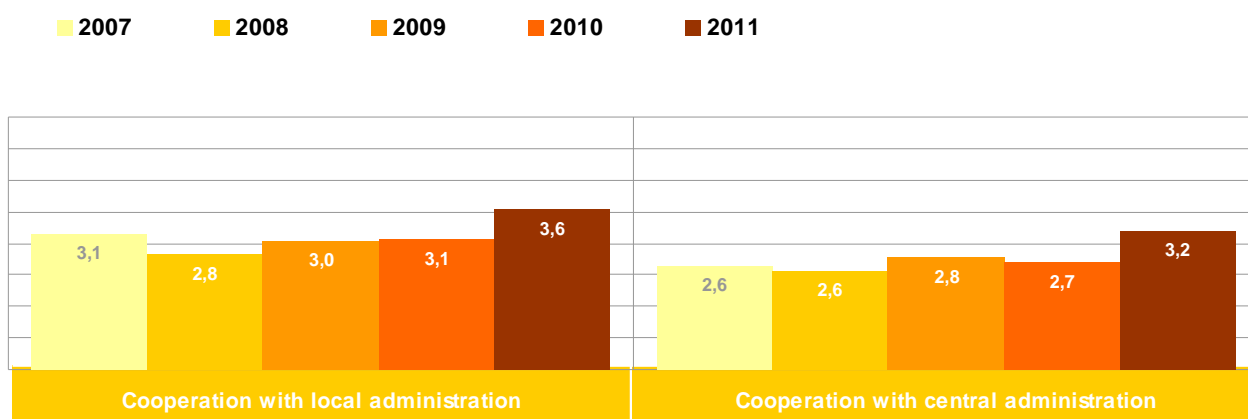
Similarly as in the previous survey ways, the respondents had a possibility to express their opinions about cooperation with the public administration, both at central and local level. There is a certain difference in the assessment of these two elements which has been observed since the first edition of the investment climate survey.

**Graph 23 Assessment of cooperation with the administration at different levels 2011**



As regards cooperation with the local administration, over a half (58%) of the respondents assesses it as good or very good. In the case of the central administration this percentage equals only 38%. This is also translated into a lower average assessment of cooperation with the central administration bodies.

**Graph 24 Assessment of cooperation with the administration at different levels in the following years**

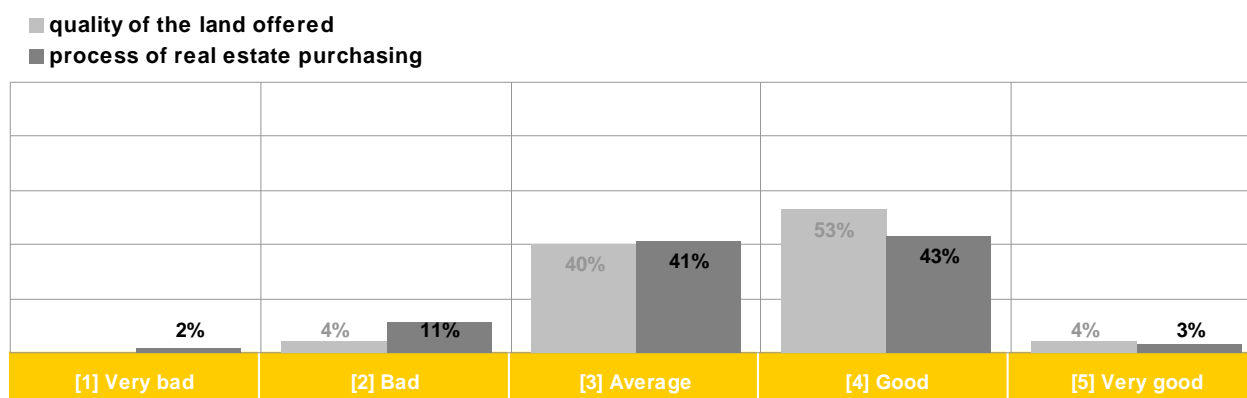


Similarly as most of the areas covered by the survey, also this one received slightly better marks in the present edition than in the past years. In the case of both aspects the average increase in the assessment observed amounted to 0.5 point and was slightly higher than the average growth of all the aspects in the same period.

### 3.3.4. Real estate purchasing

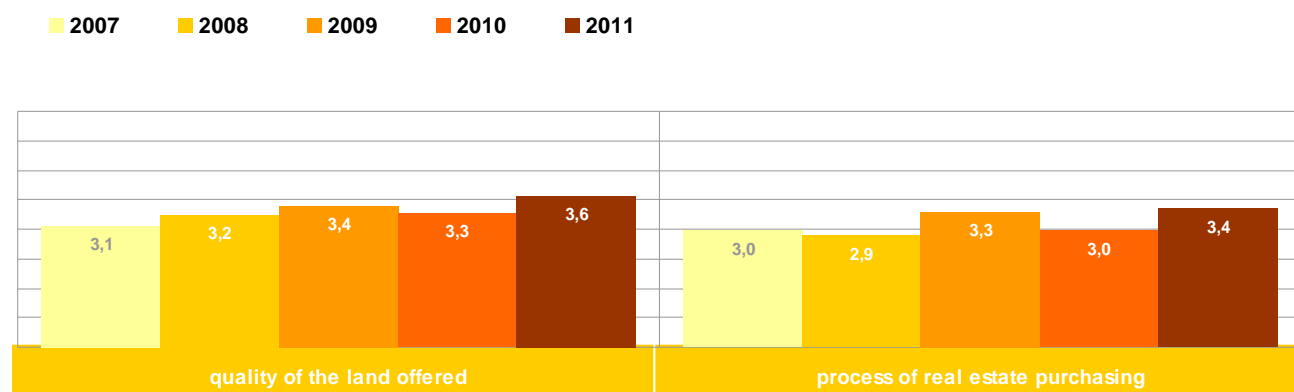
The assessment of construction law provisions was already mentioned. Now we would like to refer to the issue of real estate presenting the assessments of the two areas that is the quality of the land offered and the process of real estate purchasing.

**Graph 25 Assessment of the quality of the land offered and the process of real estate purchasing in 2011**



In both of these areas positive marks prevail. The quality of the land offered was assessed slightly higher than the process of real estate purchasing. The average assessments of these areas differ by 0.22 point (land quality – 3.57; purchasing process – 3.36).

**Graph 26 Assessment of the quality of the land offered and the process of real estate purchasing**



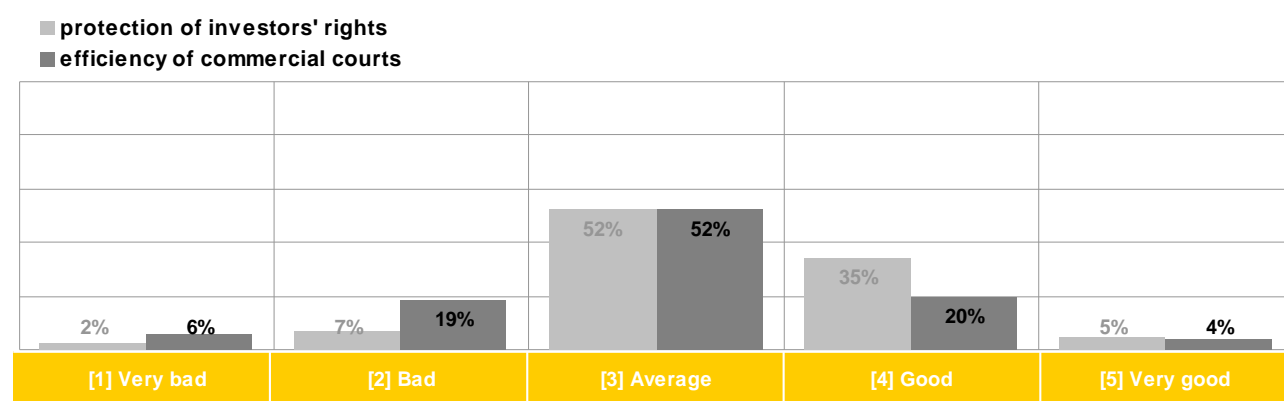
In comparison with the previous survey waves the assessment of both of the discussed areas slightly increased. In the last five survey editions the quality of the land offered was assessed slightly higher than the process of their purchasing. The results of the present survey confirm this situation.

### 3.3.5. Functioning of legal bodies

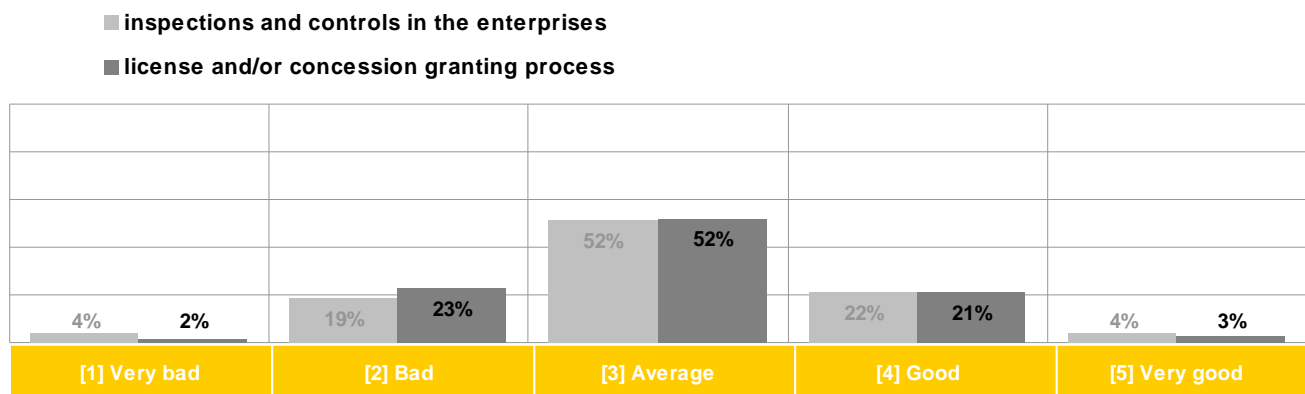
This subchapter focuses on the areas related with functioning of judicial and regulatory authorities and cooperation therewith. While we were discussing in detail the assessment of legal regulations, we pointed out that this was one of the worst assessed areas in the entire survey.

The assessments of the law itself obviously influence the assessment of institutions that apply and enforce this law. That is why, we should not expect particularly positive assessments of the areas presented in this chapter, including the efficiency of commercial courts, the process of license granting as well as inspections and controls.

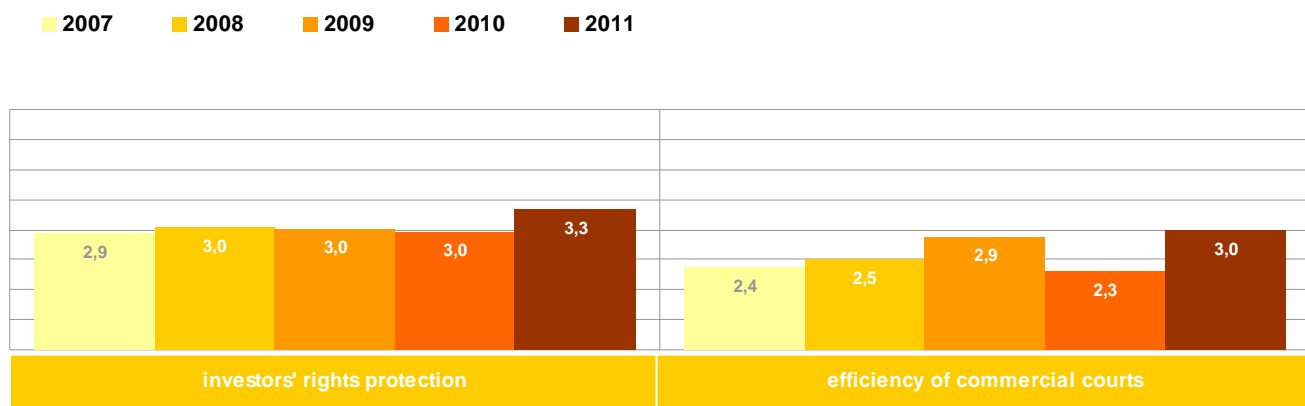
**Graph 27 Assessment of the protection of investors' rights and the efficiency of commercial courts in 2011**



Over a half of respondents gives average marks to the areas of investors' rights protection and the efficiency of commercial courts. Almost the same percentage of respondents assesses these aspects positively and negatively. The average marks considerably prevailed which may mean that inexperienced respondents in this area refrain from assessment by attributing mid-scale grades. Following further this reasoning it may be assumed that extreme assessments more frequently are based on the investors' own experiences. As the assessments considerably differ (i.e. for commercial courts: 25% of negative and 24% of positive marks), it may imply that the investors' experiences in this scope vary in a significant manner and depend on numerous factors. This indicates that procedures and provisions are not implemented and enforced in the same manner in every place and time. This in turn entails considerably different experiences and is reflected in diverse assessments. Similar conclusions may be drawn on the basis of an analysis of the current assessments of the aspect of license granting as well as inspections and controls at the enterprises.

**Graph 28 Assessment of license granting and inspections and controls in the enterprises in 2011**

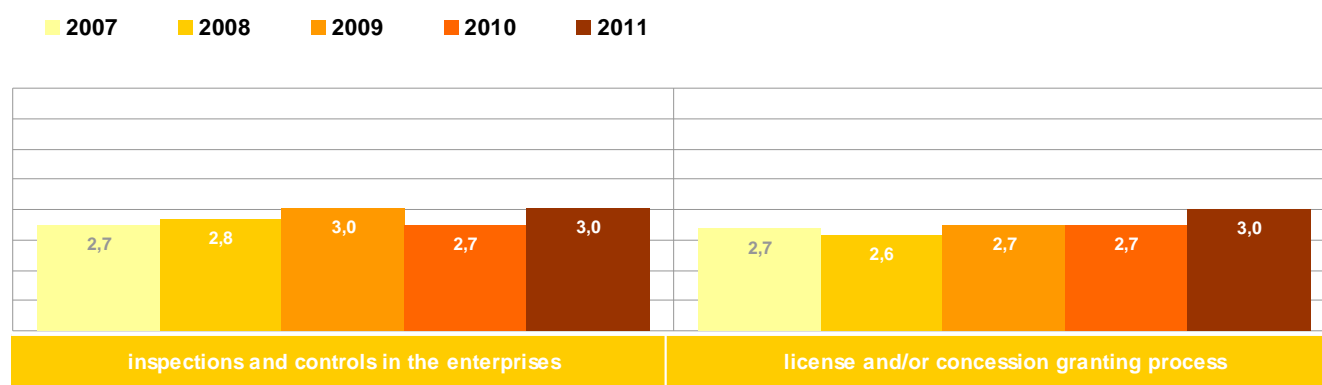
An analysis of changes in the assessments of the discussed aspects with regard to the last year's results should include significantly higher assessments of the efficiency of commercial courts. On a year-to-year basis it is the highest positive change (the difference between the present and the last year's survey is 0.7 point).

**Graph 29 Assessment of investors' rights protection and efficiency of commercial courts in the next years**

The assessment of other fields discussed in the present subchapter also increased with regard to the last year, although on a much lower scale than in the case of the assessments of the efficiency of commercial courts.

**Graph 30 Assessment of license granting as well as inspections and controls at the enterprises.**



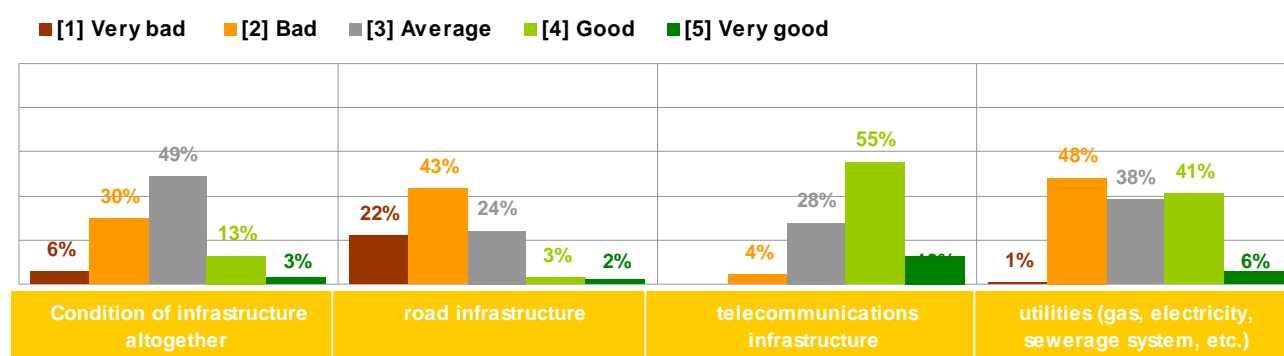


### 3.4. Infrastructure assessment

The last area covered by the investment survey climate is infrastructure. The respondents had a possibility to give a general assessment and detailed marks in the scope of telecommunications and road infrastructure as well as utilities (gas, electricity, sewerage system, etc.).

Generally, infrastructure received the lowest average mark of all the areas covered by the present survey wave. It is worth considering though, that the assessments of specific aspects of these areas are considerably different.

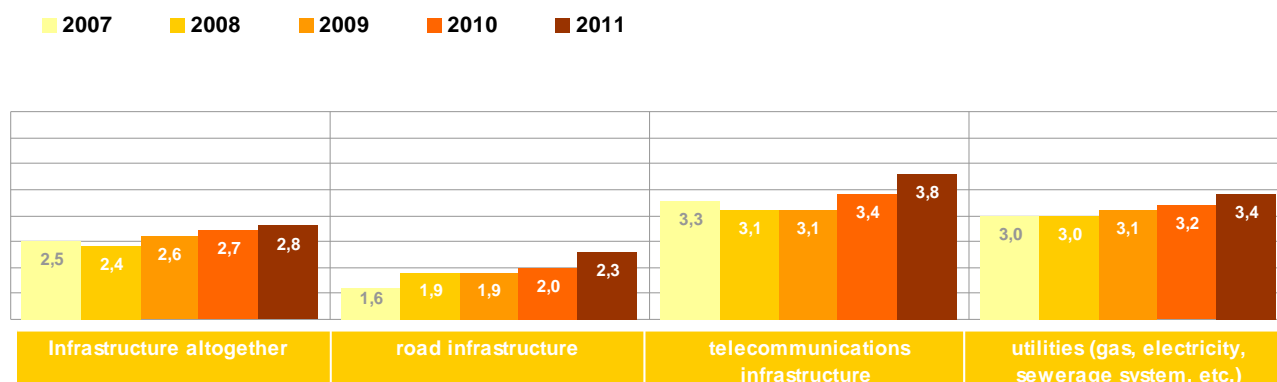
Graph 31 Assessment of infrastructure in 2011



Road infrastructure received the lowest mark. The issue of roads construction is always present in the media and this may be a reason why this aspect was received a low mark. It is worth considering though, that the assessment of this aspect was improving (from 1.6 in 2007 to 2.3 at present). Telecommunications infrastructure was assessed significantly better. Over a half (55%) of the respondents assessed this aspect as good and another 13% of them as very good. Utilities infrastructure

received slightly lower marks than telecommunications, but they were still considerably higher than those of road infrastructure.

**Graph 32 Assessment of infrastructure in the next years**



Generally, the assessment of infrastructure is improving in the next years. Despite the most noticeable growth trend, the road infrastructure is still the aspect that receives the lowest marks.

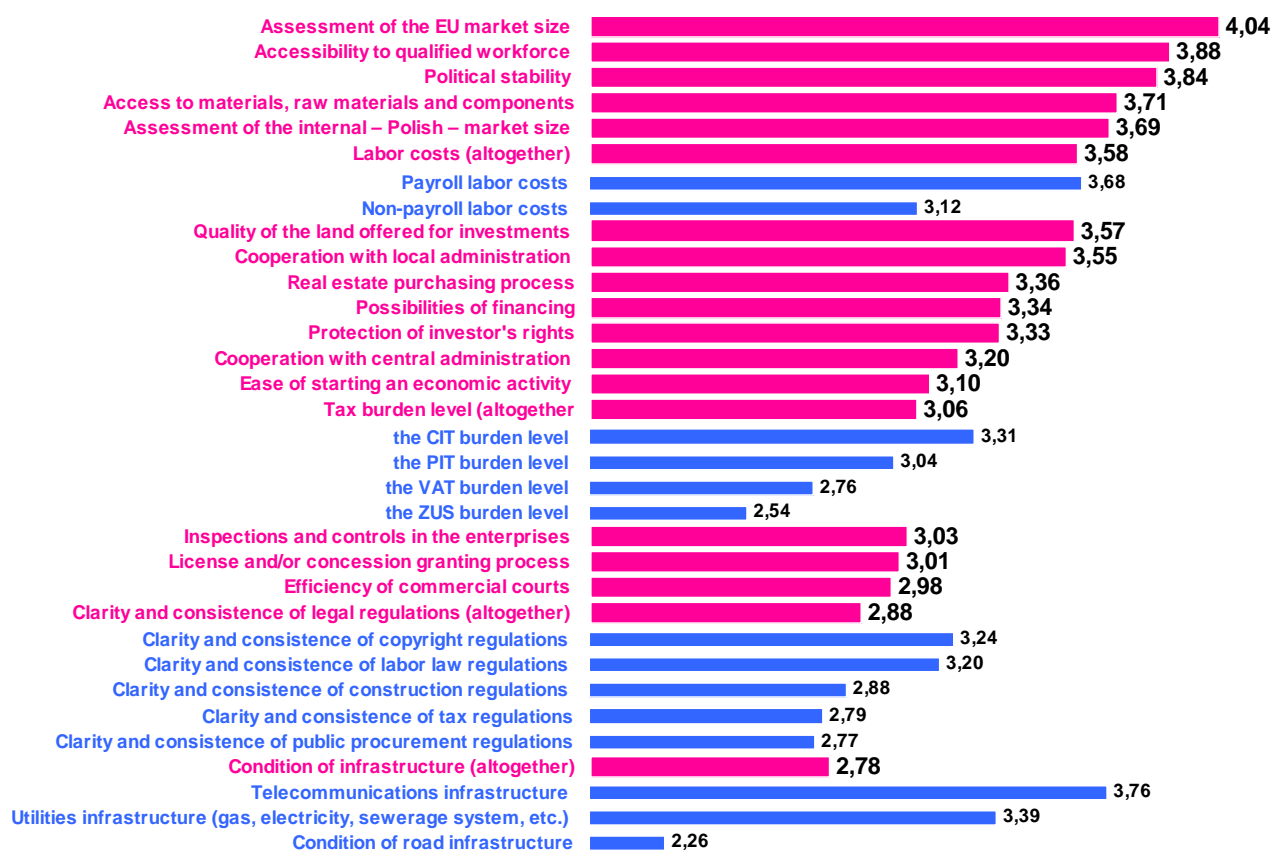
### 3.5. Summary of specific assessments

The assessments of all the aspects covered by the survey have already been discussed in detail. To sum them up the average assessment hierarchy of specific aspects is presented below. Three best assessed areas cover:

- EU market size;
- accessibility to qualified workforce
- political stability;

In turn three worst assessed areas are as follows:

- road infrastructure;
- tax burden (ZUS and VAT);
- clarity and consistence of regulations (public procurement law and tax law)

**Graph 33 Average assessments of all the aspects covered by the survey in 2011**

Among the aspects covered by the survey the highest improvement of the average assessments concerned:

- efficiency of commercial courts of law;
- financing possibilities;
- labor costs (altogether).

### 3.6. Investment climate and its determinants assessed by the representatives of large-sized companies with the prevailing foreign capital

Although every investment should receive equal attention, it has to be remembered that investments of large-sized companies with foreign capital may bring advantages in terms of a higher number of workplaces, tax revenue and a flow of knowledge and *know-how*.

That is why, we would like to present the views on the investment climate in Poland of representatives of these companies in a separate subchapter.

In the present survey edition participated 67 representatives of the companies which:

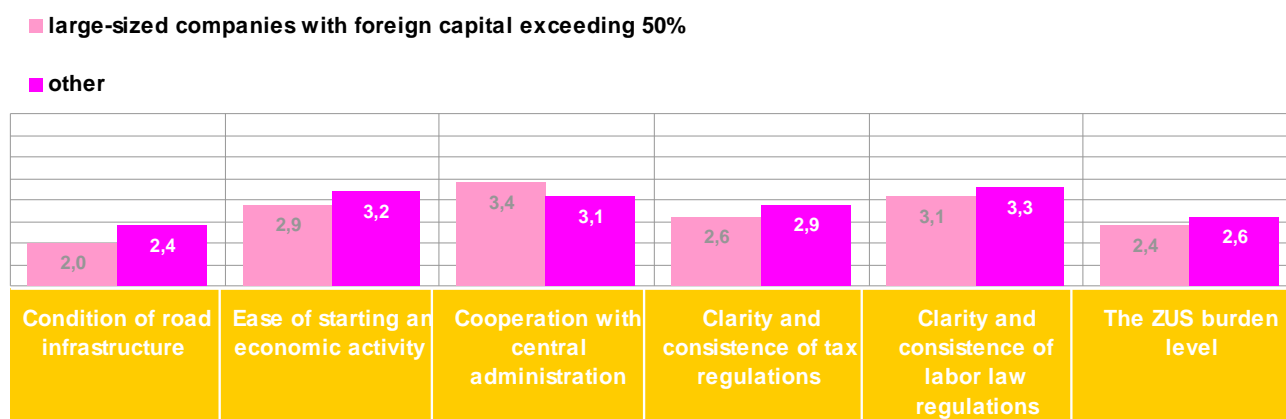
- employ over 249 persons and

- their foreign capital share exceeds 50%.

The assessments of representatives of the companies meeting these criteria were confronted with the assessments of other survey participants. In both groups a general investment climate assessment is similar. In the case of large-sized companies in which foreign capital share exceeds 50%, and other respondents this indicator equals 3.63 and 3.57, respectively. This difference is so small that it should be assumed that the investment climate assessment in both of the groups is the same.

Still, in these groups there are some differences in the assessment of specific aspects. Aspects in the case of which a difference in the assessment exceeds 0.2 point are presented below.

**Graph 34 Aspects with the most considerable differences in the assessments in the group of large-sized companies with foreign capital and the representatives of other companies.**



The representatives of large-sized companies with foreign capital exceeding 50% gave less favorable assessments to a majority of aspects than the representatives of other companies. The only exception is the assessment of cooperation with central administration. Large-sized companies with foreign capital assess this issue better which may confirm a commonplace opinion that big can more. Probably, it is easier for larger entities to establish relationships with central administration which is more flexible in cooperation with large partners from the private sector.

#### 4. The importance of specific areas and their influence on a general assessment of the investment climate in Poland.

So far we have focused on a detailed analysis of assessments of specific areas covered by the survey. Besides information on the assessment, the participants of the present survey wave expressed their opinions about the declared importance of specific areas.

The respondents had a possibility to assess how much in their opinion a given aspect is important. They used a 5-point grading scale, where 1 was attributed to a very bad and 5 a very good mark. Not all the aspects discussed above were subject to the assessment. In order to avoid the questionnaire becoming too long, the respondents expressed their views only on general areas. For example, they assessed the clarity and consistence of legal regulations (altogether) without the clarity and consistence of specific fields.

**Graph 35 Declared importance of specific areas (grade scale: 1-5).**

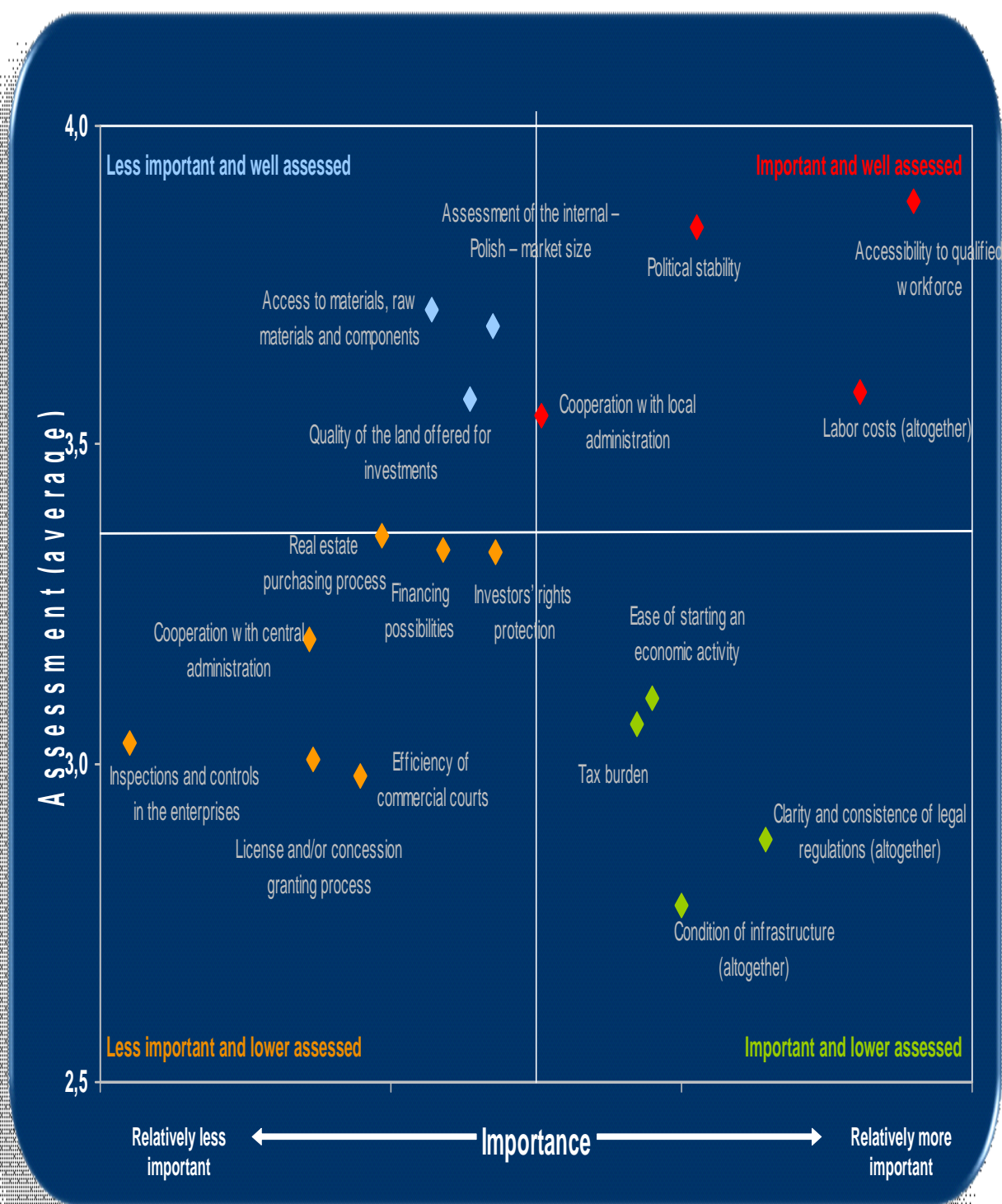


Such a form of question makes it possible to order the areas under survey by their declared importance. Three most importance areas according to the respondents are: accessibility to qualified workforce, labor costs and clarity and consistence of legal regulations (altogether).

Therefore, a question arises of how Poland is assessed in respect of areas considered the most important by the investors. Quartile analysis is a perfect instrument to obtain answers to such kind of questions. It consists in grouping all the aspects under survey by their importance and assessment. As a result of superimposing of these two dimensions four groups of factors are obtained,

- The first group covers important and well-assessed areas. They include aspects assessed as more important than average which received a higher than average mark. These elements are unquestionable advantages of Poland as investments location. They should be emphasized in communication with potential investors.
- The second and particularly important factor group covers important but lower assessed elements. They include aspects assessed as more important than average which received a lower than average mark for all the areas under survey. If we expect higher involvement of foreign investors in Poland, remedial steps in these areas should be given a priority.
- The third group is constituted by relatively less important and highly assessed elements. These are relatively less important areas which received a higher than average mark. We do not have pay too much attention to them, as on the one hand, they are of no crucial importance for the investors, and on the other hand, these dimensions are assessed quite positively even at present. In communication with potential investors they may be presented as strong points of our country.
- The last fourth group includes elements which on the importance scale received lower than average marks. Their assessment is also below the average for all the aspects. These areas determine directions of remedial actions which should be initiated upon implementation of changes in the framework of areas included in the second group.

### Graph 36 The quartile analysis





## 5. Conclusion

As the survey of the investment climate in Poland is conducted on a periodic basis it allows assessing and capturing the most important changes taking place over the years.

1. The general investment climate in Poland in 2011 was assessed as good which is an improvement in respect of 2010 assessed as satisfactory. The survey results indicate a general improvement of the investment climate assessment expressed by investors in respect of the previous years. The present average assessments have been the highest since 2007.
2. The general investment climate is reflected in 19 specific areas subjected to assessment. The most positively assessed areas include the EU market size, accessibility to qualified workforce and political stability of Poland, The most negatively assessed areas cover the condition of infrastructure (altogether) and clarity and consistence of legal regulations (altogether).
3. The highest improvement of the average assessment among the specific areas under study in 2007-2011 concerned political stability. The average mark of this area increased by 1.6 in this period. Significant and positive changes in respect of 2010 were also related to the areas of *labor costs* and *possibilities of financing*. It may indicate gradual overcoming of the crisis which caused, i.e. limiting of crediting possibilities in the market. As regards the assessment of public institutions the highest improvement of the average assessment in respect of 2010 concerned the *efficiency of commercial courts*.
4. The present survey wave offered a possibility to analyze assessments of specific areas in terms of their importance from the investors' perspective. Well-assessed and important aspects indicated by the respondents include:
  - a. Accessibility to qualified workforce,
  - b. Labor costs,
  - c. Political stability,
  - d. EU market size,
  - e. Cooperation with local administration.
5. According to the investors the following areas require improvement in the first place:
  - a. Clarity and consistence of legal regulations,

- b. Condition of infrastructure,
- c. Ease to start an economic activity,
- d. Tax burden level.