



CASE - Centrum Analiz Społeczno-Ekonomicznych  
CASE - Center for Social and Economic Research

# The role of FDI in regional development in Poland

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# Agenda

1. FDI overview
2. FDI in Poland
3. FDI at regional level
4. Regional development
5. Attracting FDI
6. Conclusions



# FDI OVERVIEW



# The meaning of FDI

- Investment made by a company based in one country into a company based in another country involving significant degree of influence and control over the latter company
- Investment from one country into another that involves purchasing assets or establishing operations which entails control of the operations
- International transfer of capital to set up or acquire a subsidiary in another country and exercise control over it



# The nature of FDI

- External source of capital for a host country
- Besides financial capital other factors are also transferred
- These include knowledge and skills, modern technologies, innovative methods of management and organization
- FDI as transferring technological progress and organizational solutions from more to less developed countries



# Benefits for a host country

- Creating new jobs
- Introducing modern technologies
- Enhancing labor productivity (spillovers)
- Increasing the efficiency of the economy
- Introducing new products
- Enhancing exports
- Facilitating access to foreign markets



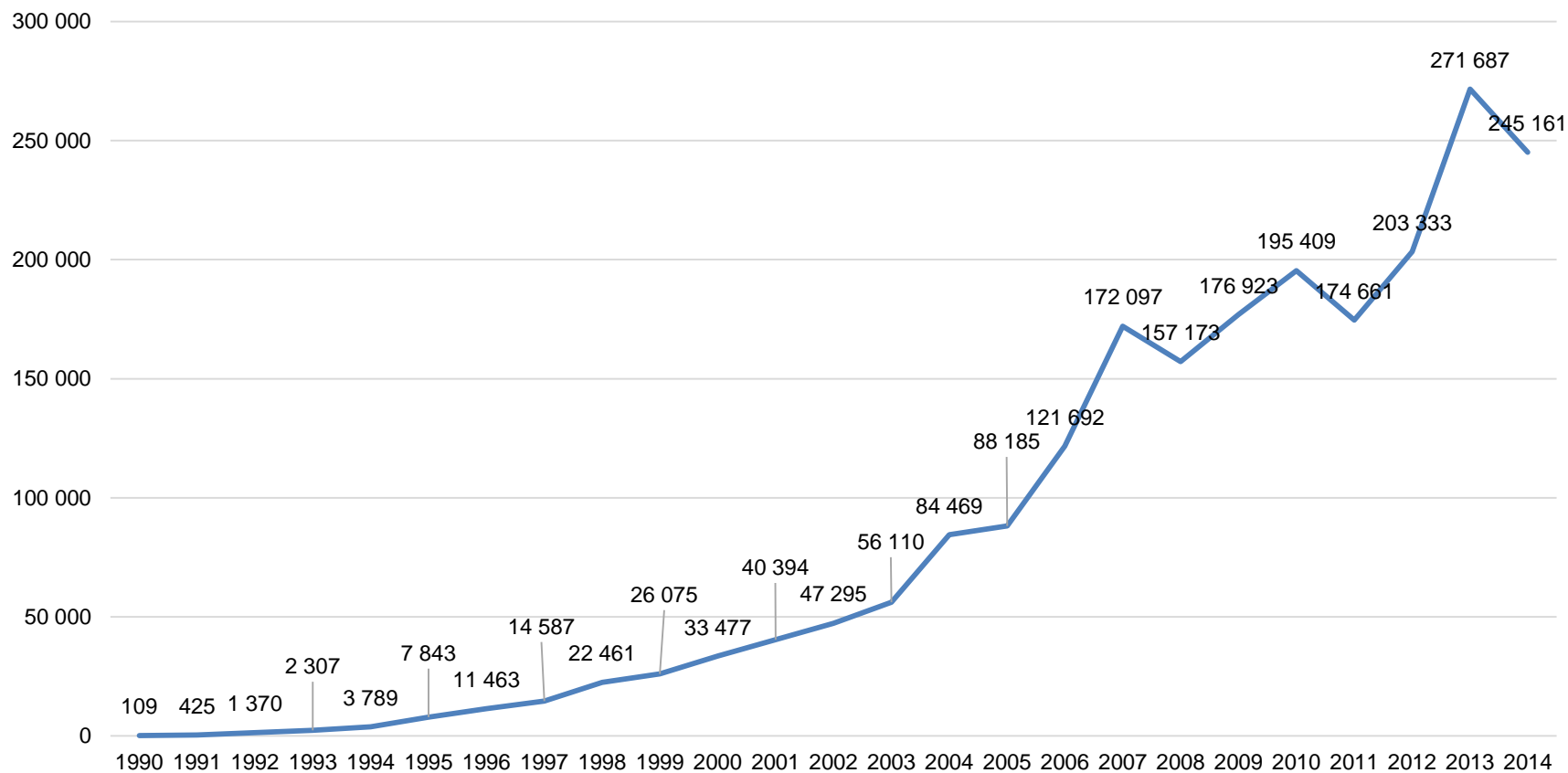
# FDI IN POLAND





# FDI stock in Poland

FDI stock in million US dollars (current prices)

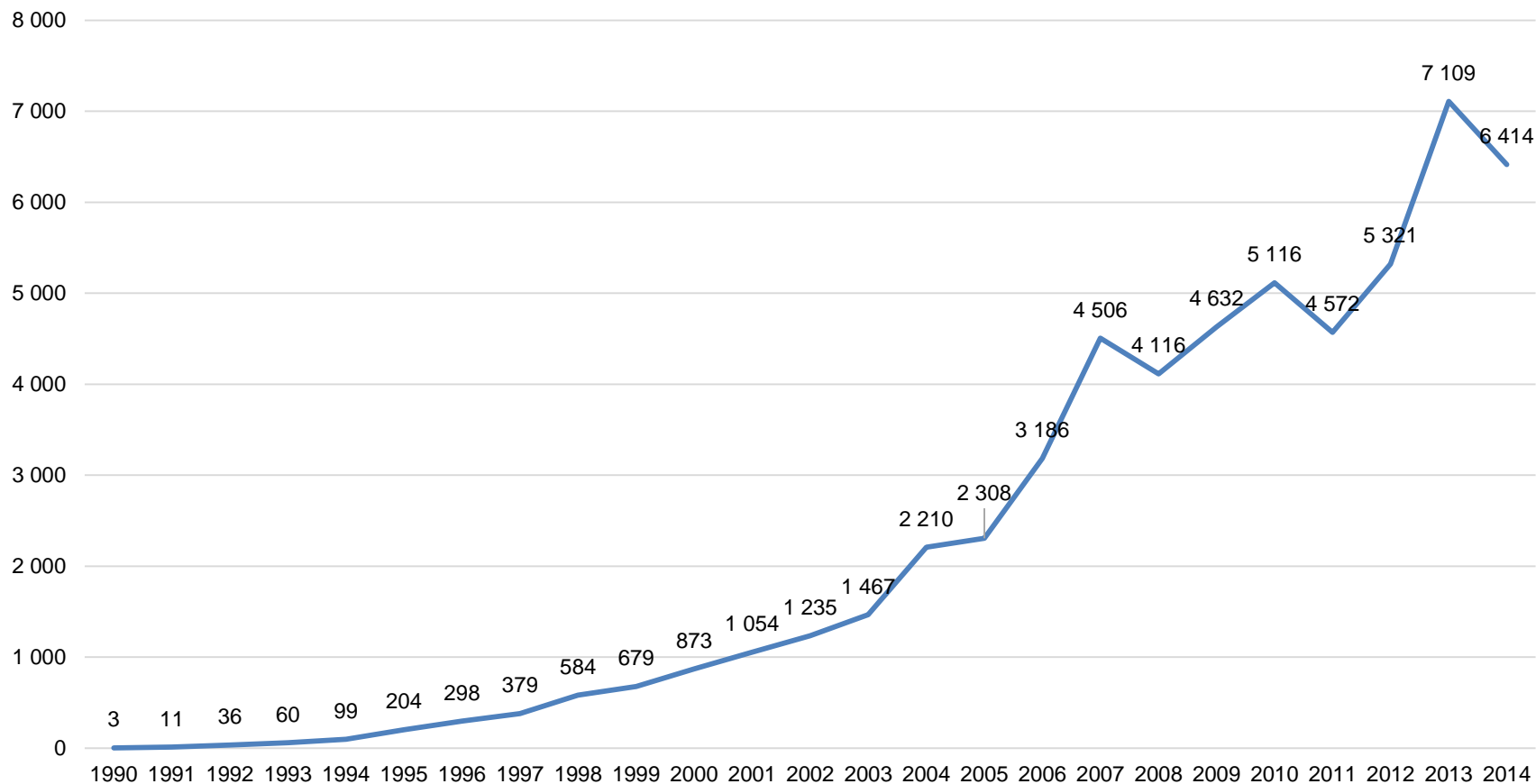


Source: UNCTAD



# FDI stock per capita

FDI stock per capita in US dollars (current prices)

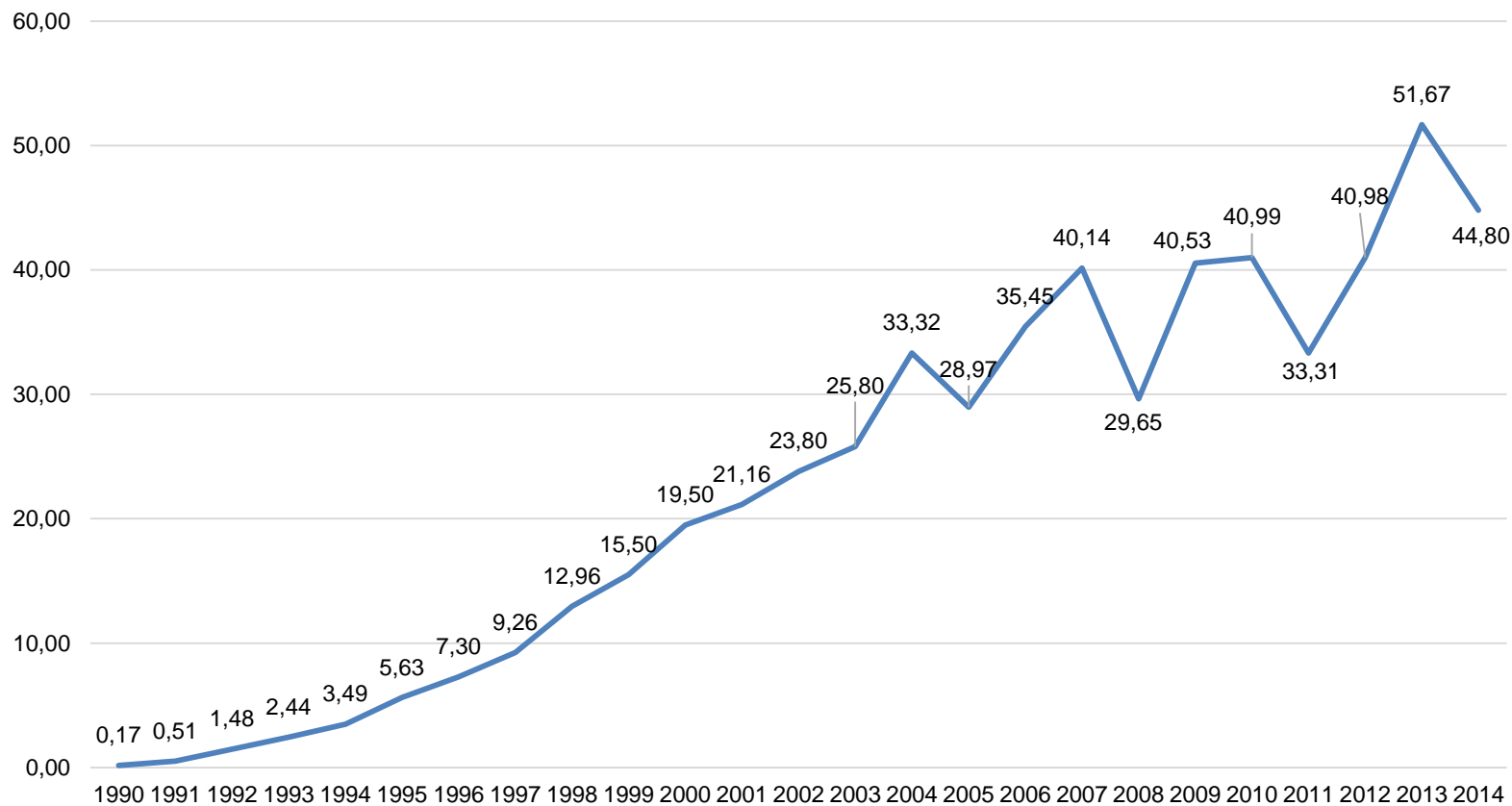


Source: UNCTAD



# FDI stock as a % of GDP

FDI stock as a % of GDP

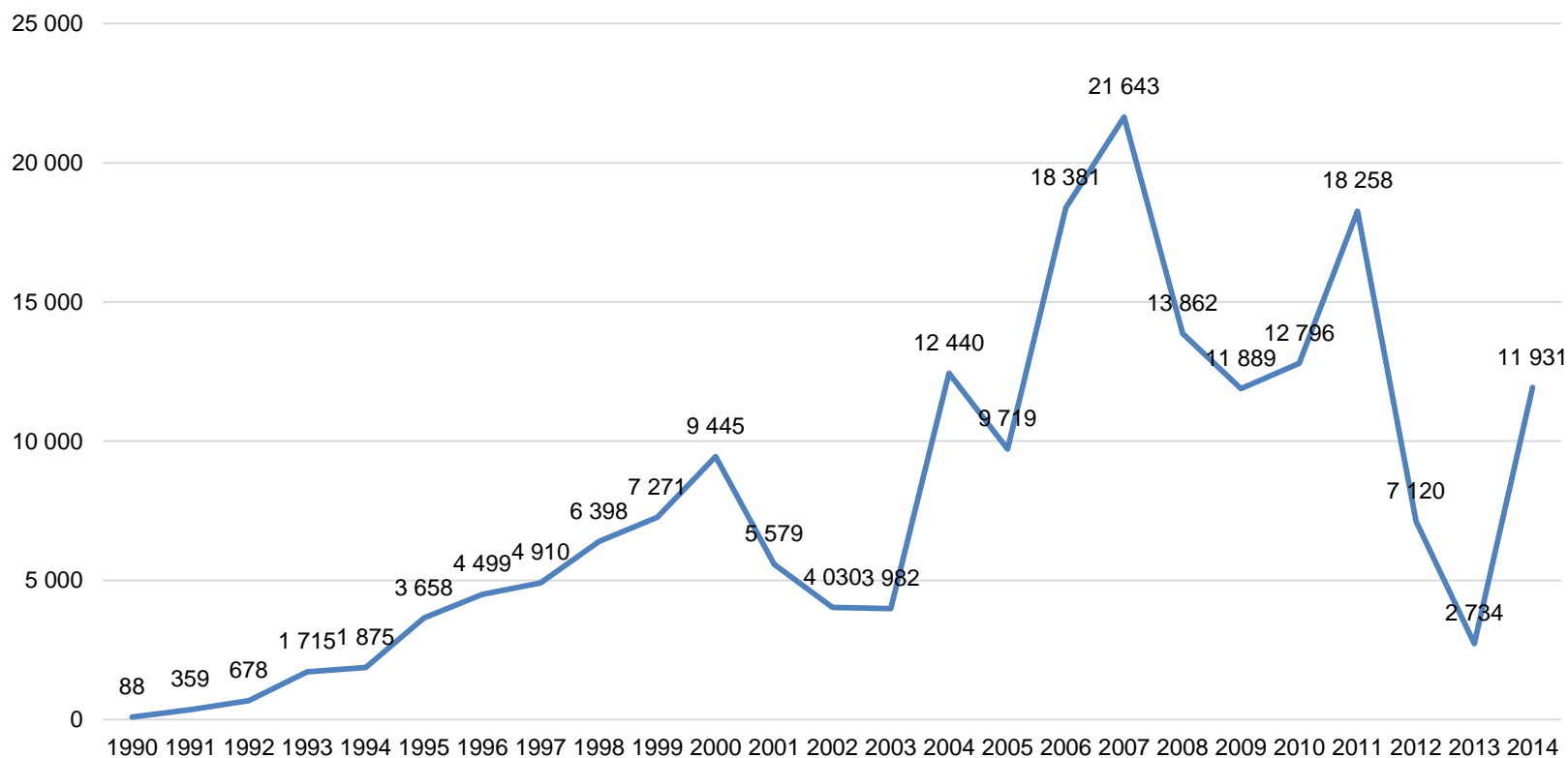


Source: UNCTAD



# FDI flows

Net FDI flows in million US dollars (current prices)

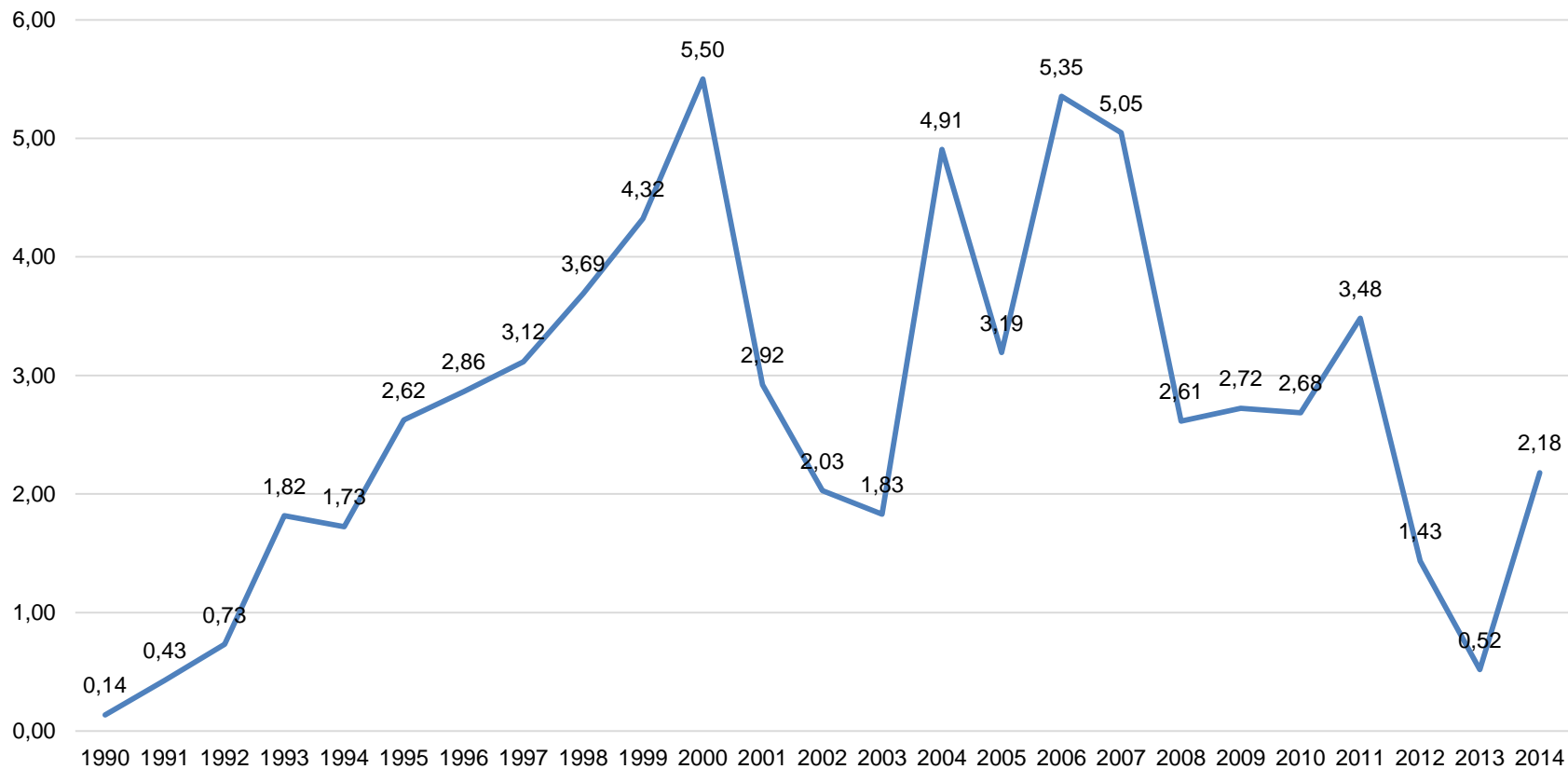


Source: UNCTAD, NBP



# FDI flows as a % of GDP

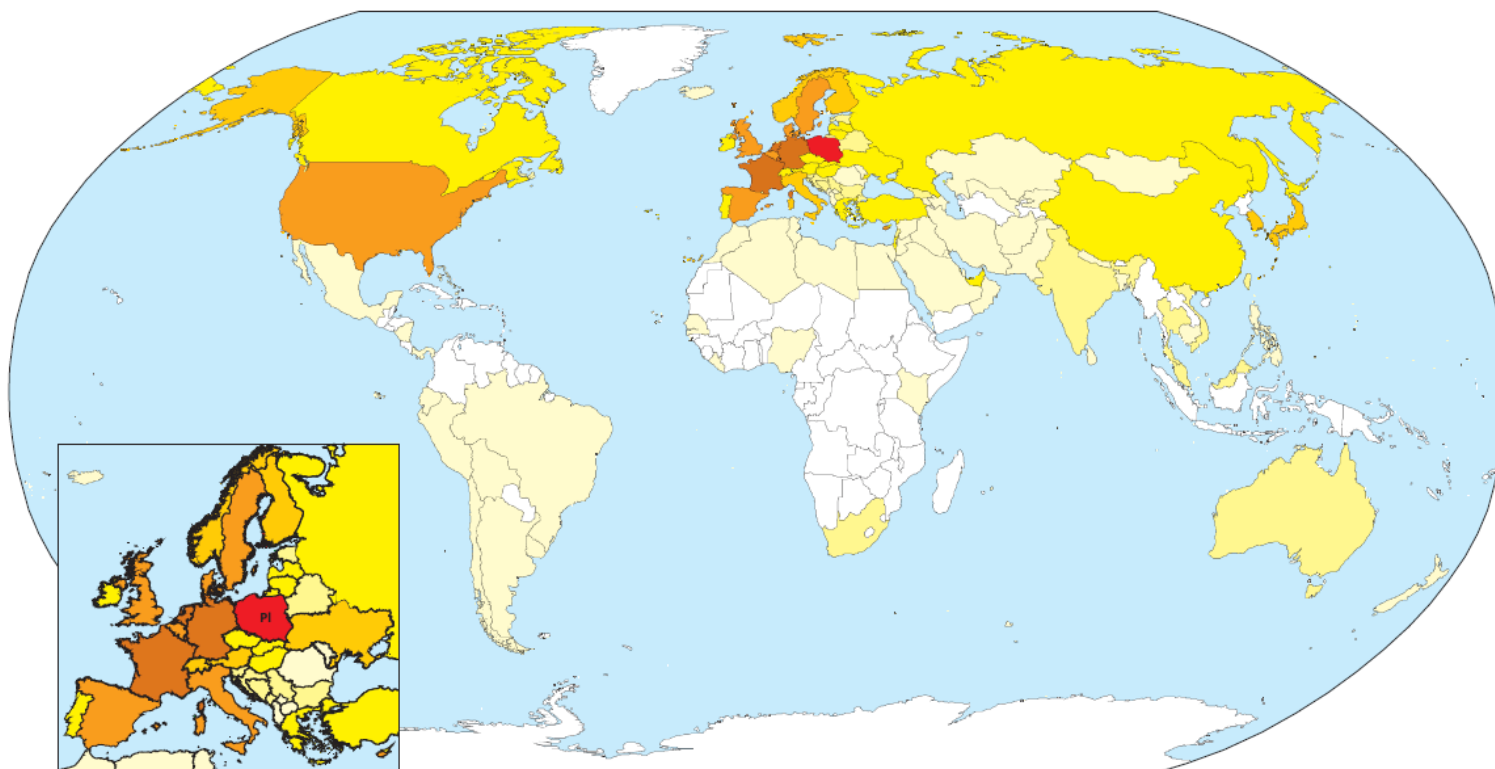
Net FDI flows as % of GDP



Source: UNCTAD

# FDI in Poland

Origin of foreign capital invested in Poland



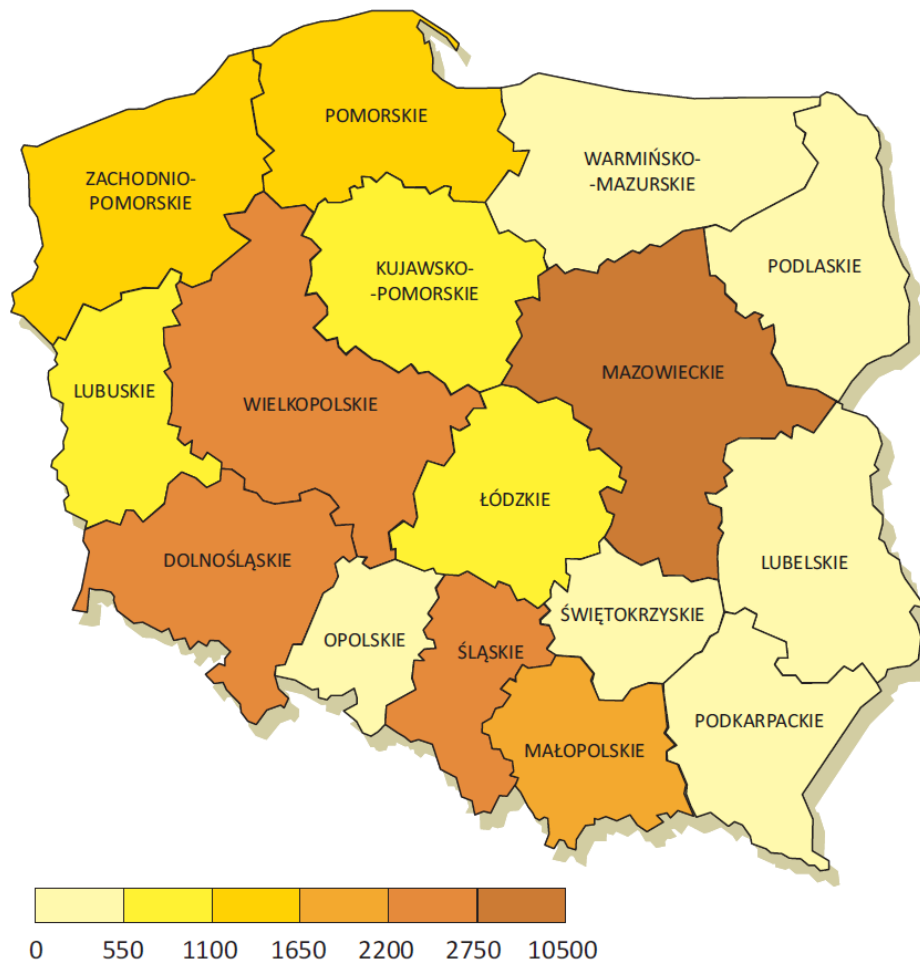
Foreign capital in million zlotys





# FDI AT REGIONAL LEVEL

Number of entities with foreign capital





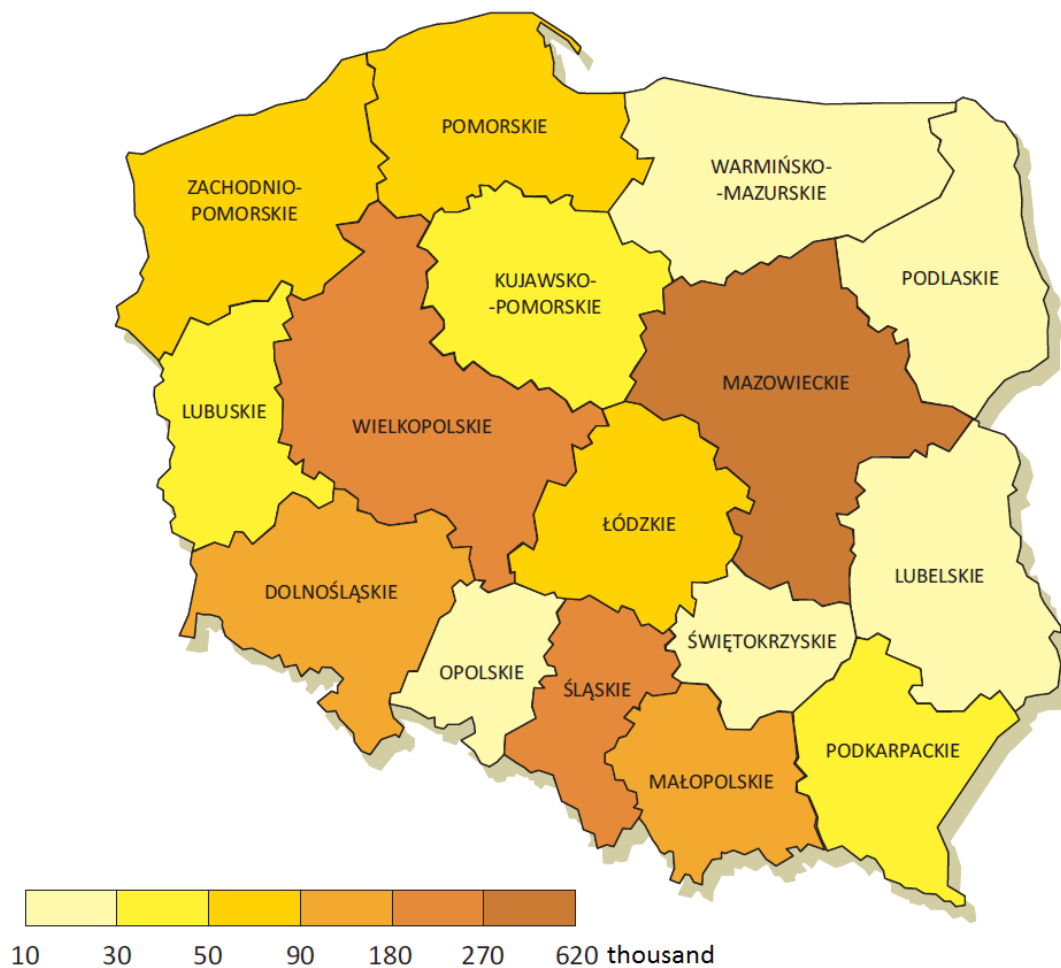


# FDI in Poland

<b>Voivodship</b>	<b>Number of entities</b>
Dolnośląskie	2 339
Kujawsko-pomorskie	572
Lubelskie	446
Lubuskie	717
Łódzkie	1 050
Małopolskie	1 754
Mazowieckie	10 321
Opolskie	467
Podkarpackie	494
Podlaskie	182
Pomorskie	1 430
Śląskie	2 442
Świętokrzyskie	184
Warmińsko-mazurskie	299
Wielkopolskie	2 333
Zachodniopomorskie	1 434
<b>Total</b>	<b>26 464</b>

Source: GUS

Number of persons employed in entities with foreign capital



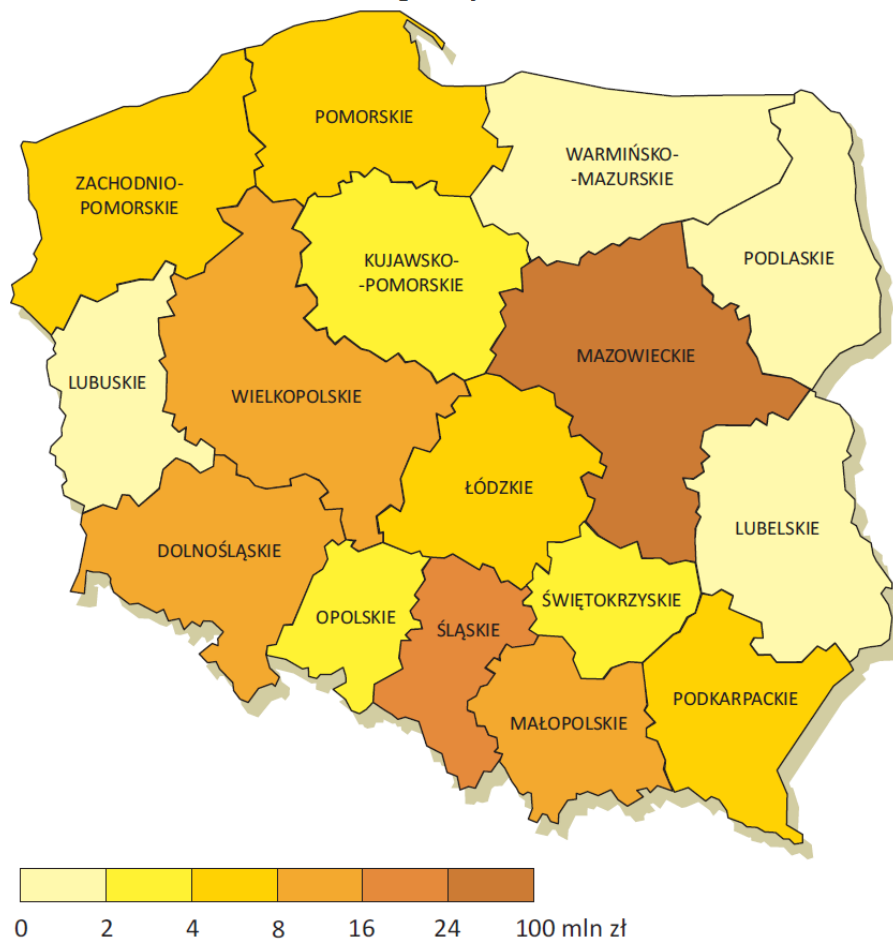


# FDI in Poland

<b>Voivodship</b>	<b>Number of persons employed</b>
Dolnośląskie	160 535
Kujawsko-pomorskie	40 573
Lubelskie	24 525
Lubuskie	36 842
Łódzkie	84 536
Małopolskie	114 441
Mazowieckie	610 672
Opolskie	27 938
Podkarpackie	42 517
Podlaskie	10 859
Pomorskie	69 850
Śląskie	186 984
Świętokrzyskie	19 109
Warmińsko-mazurskie	14 370
Wielkopolskie	248 691
Zachodniopomorskie	55 369
<b>Total</b>	<b>1 747 811</b>

Source: GUS

Amount of foreign capital invested





# FDI in Poland

<b>Voivodship</b>	<b>Foreign capital invested in million zlotys</b>
Dolnośląskie	15 696.1
Kujawsko-pomorskie	2 865.2
Lubelskie	1 473.9
Lubuskie	1 497.2
Łódzkie	4 994.6
Małopolskie	12 963
Mazowieckie	97 115.5
Opolskie	2 045.9
Podkarpackie	5 476
Podlaskie	395.3
Pomorskie	7 184.6
Śląskie	16 162.1
Świętokrzyskie	2 900.8
Warmińsko-mazurskie	1 516.4
Wielkopolskie	15 841.1
Zachodniopomorskie	7 669.1
<b>Total</b>	<b>195 796.8</b>



# FDI AND REGIONAL DEVELOPMENT



# FDI and regional development indicators in 2014

Voivodship	GDP	GDP per capita	unemployment rate	R&D	R&D per capita	share of innovative enterprises	entities	capital	persons
Dolnośląskie	145 342	49 972	9.1	1 070.1	367.9	16.3	2 339	15 696.1	160 535
Kujawsko-pomorskie	76 052	36 374	10.6	255.6	122.3	12.4	572	2 865.2	40 573
Lubelskie	67 208	31 233	9.9	690.7	321.0	19.4	446	1 473.9	24 525
Lubuskie	38 366	37 585	8.4	68.1	66.7	10.5	717	1 497.2	36 842
Łódzkie	104 837	41 793	8.8	703.7	280.5	13.5	1 050	4 994.6	84 536
Małopolskie	134 121	39 867	9.1	1 850.3	550.0	13.5	1 754	12 963	114 441
Mazowieckie	381 559	71 661	7.2	6 487.2	1 218.4	17.1	10 321	97 115.5	610 672
Opolskie	36 289	36 195	7.8	122.3	122.0	17.6	467	2 045.9	27 938
Podkarpackie	67 396	31 664	14	931.0	437.4	14.6	494	5 476	42 517
Podlaskie	38 549	32 304	9.1	233.4	195.6	14.7	182	395.3	10 859
Pomorskie	97 883	42 580	8.6	1 031.7	448.8	12.3	1 430	7 184.6	69 850
Śląskie	213 201	46 415	8.6	1 218.1	265.2	15.7	2 442	16 162.1	186 984
Świętokrzyskie	41 173	32 537	11.3	140.5	111.0	11.1	184	2 900.8	19 109
Warmińsko-mazurskie	46 222	31 977	9.8	126.1	87.3	10.9	299	1 516.4	14 370
Wielkopolskie	166 581	48 014	7.7	1 059.3	305.3	11.3	2 333	15 841.1	248 691
Zachodniopomorskie	64 318	37 439	8.5	179.9	104.7	14.1	1 434	7 669.1	55 369



# FDI and regional development – correlations

	<b>GDP</b>	<b>GDP per capita</b>	<b>unemployment rate</b>	<b>R&amp;D</b>	<b>R&amp;D per capita</b>	<b>share of innovative enterprises</b>
<b>number of entities</b>	0.9378*	0.9369*	-0.4709*	0.9610*	0.8826*	0.2625*
<b>persons employed</b>	0.9207*	0.9078*	-0.4257*	0.9730*	0.8953*	0.2832*
<b>foreign capital invested</b>	0.9390*	0.7679*	-0.2378*	0.9155*	0.8292*	0.2740*

Source: Own calculation





# FDI and regional development – findings

- There is a strong statistically significant positive relationship between regional GDP/GDP per capita and FDI
- There is a statistically significant negative relationship between unemployment rate and FDI
- There is a strong statistically significant positive relationship between regional R&D and FDI
- There is a weak statistically significant positive relationship between share of innovative enterprises in the region and FDI



# ATTRACTING FDI



# Why Poland is attractive for foreign investors

- Favorable location
- Large internal market (constant demand growth)
- Integration with the EU market (unlimited access)
- Political stability\*
- Macroeconomic stability\* - 50% cumulated GDP growth since 2004, low inflation, stable financial sector
- Low labour costs\*
- Large supply of labor force (relatively young\*)
- High quality human capital – well-qualified workers, specialists
- Positive attitude towards foreign goods
- Membership in international organizations



# Poland ranked #25 in World Bank Doing Business 2016 ranking

Economy	Ease of Doing Business Rank
Singapore	1
New Zealand	2
Denmark	3
Korea, Rep.	4
Hong Kong SAR, China	5
United Kingdom	6
United States *	7
Sweden	8
Norway	9
Finland	10
Taiwan, China	11
Macedonia, FYR	12
Australia	13
Canada	14
Germany	15
Estonia	16
Ireland	17
Malaysia	18
Iceland	19
Lithuania	20
Austria	21
Latvia	22
Portugal	23
Georgia	24
<b>Poland</b>	<b>25</b>

Switzerland	26
France	27
Netherlands	28
<b>Slovak Republic</b>	<b>29</b>
Slovenia	29
United Arab Emirates	31
Mauritius	32
Spain	33
Japan *	34
Armenia	35
<b>Czech Republic</b>	<b>36</b>
Romania	37
Bulgaria	38
Mexico *	38
Croatia	40
Kazakhstan	41
<b>Hungary</b>	<b>42</b>
Belgium	43
Belarus	44
Italy	45
Montenegro	46
Cyprus	47
Chile	48
Thailand	49
Peru	50

Source: <http://www.doingbusiness.org/data/exploreeconomies/poland>



# Poland ranked #26 in Bloomberg ranking of Best Countries for Doing Business 2014

2014 Rank	Country
1	Hong Kong
2	Canada
3	United States
4	Singapore
5	Australia
5	Germany
7	United Kingdom
8	Netherlands
9	Spain
10	Sweden
11	France
12	Japan
13	South Korea
14	Finland
15	Norway
16	Luxembourg
17	Portugal
18	Switzerland
19	Denmark
20	Ireland
21	Austria
21	Chile
23	United Arab Emirates
24	Belgium
25	New Zealand

26	Italy
<b>26</b>	<b>Poland</b>
28	China
28	Malaysia
30	Israel
31	South Africa
<b>32</b>	<b>Czech Republic</b>
<b>33</b>	<b>Hungary</b>
34	Greece
35	Cyprus
36	Saudi Arabia
37	Peru
38	Brazil
39	Turkey
40	Iceland
40	Thailand
42	Bulgaria
43	Oman
43	Russia
45	Panama
46	Mauritius
46	Qatar
48	Bahrain
48	India
50	Romania

Source: <http://www.bloomberg.com/visual-data/best-and-worst//best-for-doing-business-countries>



# Weaknesses of investment climate in Poland

- Weak road and rail infrastructure
- Excessive tax burden
- Bureaucracy and confusing legislation
- Low level of innovativeness
- Low level of cooperation between business and science
- Strong position of trade unions
- Own currency (exchange rate risk)



# Factors fostering FDI inflow

- Political stability in a host country
- Rule of law and appropriate FDI regulations
- Macroeconomic stability
- Market size (purchasing power) and market access
- Cheap and well-educated labor force
- Good infrastructure (roads, rails, airports, but also schools, hospitals, places to relax)
- Low taxes – fiscal incentives
- Business English proficiency
- Common culture
- Presence of other foreign investors



# Factors hampering FDI inflow

- Danger of wars, conflicts
- Risk of expropriation and confiscation of goods
- Problems with currency convertibility
- Discriminatory tax policy
- High inflation
- Exchange rate volatility
- Collapse in demand
- Poor infrastructure
- Labor market rigidities
- Excessive bureaucracy





# How to attract FDI

- Ensure political stability and the rule of law
- Reduce and stabilize inflation
- Stabilize exchange rate
- Invest in human capital
- Develop infrastructure at national and regional level
- Create special economic zones in less developed regions
- Provide incentives for foreign investors (fiscal and financial)



# Incentives for foreign investors

- Reduced corporate income tax
- Tax holidays
- Investment allowances
- Accelerated depreciation
- Tax exemptions
- Subsidies
- Dedicated infrastructure



# Conclusions

- FDI play a significant role in economic development, both on national and regional level
- To attract FDI one needs to ensure political and macroeconomic stability and develop proper infrastructure
- Not all factors attracting FDI can be influenced at the regional level
- Tax incentives and special economic zones are effective way of attracting foreign investors to particular regions, although in general they are less important than other factors



Thank you

# Thank you!



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