INVESTMENT ATTRACTION OF POLISH CITIES IN THE CONTEXT OF LOCAL GOVERNMENTS’ ATTITUDE TOWARDS INVESTORS

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1. Introduction

Analyzing the factors that decide about the investment attractiveness of local government units, A. Szromnik distinguishes two basic groups of factors, namely dependent factors and independent ones. The independent factors comprise those characteristics of a city (region) which can be shaped with time and which can be influenced by the local authorities and institutions. The dependent factors, on the other hand, are the ones which are constant or relatively constant, e.g. the town’s location.

In order to increase the investment attractiveness of Polish cities, it seems necessary to identify barriers to investment influx in particular local government units. Those barriers can also be viewed in relation to the degree in which the local governments can influence them. The focus of this article is to analyze barriers in investment projects in Poland, but only those which depend on the district authorities, i.e. which can be directly influenced by those authorities.

2. Investment attractiveness of Polish cities as shown by research to date

Investment attractiveness is most often understood as the ability of a given region (vovodeship, region, town) to attract investors. The best known Polish ranking related to that and prepared for the last seven years is the ranking of the Gdańsk Institute for Market Economics. All research invariably mentions the following nine factors which determine investment attractiveness of a given region: transport accessibility, labor resources, market’s acquisitive power, economic infrastructure, social infrastructure, the level of economic development, the condition of the environment, national security level, and local governments attitude towards investors.

As the authors of the report admit, the last factor, i.e. the local governments attitude towards investors, is the hardest to measure and therefore its analysis covers only a fragment of a wide range of activities.

Regional activities aimed to attract investors are often subject to criticism. It can be generally noticed that there is little interest on the part of local authorities in cooperating with investors to prepare investment undertakings. Investors complain about the barriers created by local authorities in preparing and conducting investments in a given area and about the poor quality of the local administrative work. They point out the fact that local administration does not care about sustainable development, prevention of the degradation of valuable areas, preparation of spatial development plans, securing new employment opportunities for the locals through carrying out investments, enhancement of the local communities’ living conditions, or the budget revenue.

Meanwhile, investment opportunities influence the development and competitive advantage of particular regions and cities. As it has already been mentioned, those investment opportunities are rarely examined and assessed as regards formal and administrative conditions, which also influence investment appeal of Polish towns, determining the level of local governments’ initiative to attract investors. Even if such research is carried out, administrative procedures applied in a given regions are analyzed in terms of their legality, advisability, and accuracy, but not in terms of rationality or efficiency. It should be remembered, though, that the form of particular administrative procedures is determined not only by the binding laws but also by the public management model adopted in the given local administrative district or in a town. Even if there are analyses which relate to the examination of the influence which the tools used by local authorities have on the level of investment attractiveness of the region, they also disregard the influence of the public management tools used in administration. It should be noted that despite uniform legal framework related, among others, to local planning, issuing verdicts on building development conditions or issuing building permits, preliminary research shows that institutional investment solutions applied in Poland differ considerably from town to town, thus causing differences in how investment barriers in different Polish towns are perceived. That diversity translates into specific, measurable effects, such as the level of covering with local plans, the speed at which permits relating to investments are processed, or the satisfaction of those participating in investment and building projects.

3. Barriers to carrying out investment projects in Poland

For many years, the issue of involvement of public administration units in carrying out investment projects has been raised in Poland. The units are accused of creating barriers and difficulties connected with development and realization of building investments. The barriers are especially visible in the area of spatial planning and in making administrative decisions necessary to begin and conduct construction works. It should be noted that the investment projects are of great importance to economic, social and spatial development of local administrative units (towns). Building projects generate workplaces during their realization and, once completed, result in production facilities, retail and services outlets, office space and housing available. These, when utilised properly by the final consumers, offer employment opportunities to the local people.
and support the local budgets through revenues, thus enhancing the pro-development potential of the local governments.

There is very low efficiency of participation of Polish local public administration units in realization of investment projects i.e. in issuing appropriate administrative decisions, the most important being the ones regarding building development conditions and building permits, at each stage of the investment and construction process. According to the most recent research by the World Bank on Dealing With Construction Permits Index, which is a part of the overall Ease of Doing Business Index, Poland ranks 160 out of 183 surveyed countries.

Apart from legal barriers creating unfounded hurdles for investors, the reason for such a situation is also the quality of administrative units’ work, expressed in practical application of laws and creating a favorable investment climate in the city. Proper functioning of public administration units in that scope, as well as their appropriate approach towards investors and officials, are of paramount importance to towns, under 3 different categories:

- economic (strengthening the budgets of the local governments through revenues resulting from investments completed and from the efficient use of the new facilities),
- social (creating workplaces, providing decent living conditions in the city: housing, public transport, etc.),

| Barriers connected with the system of investment incentives, e.g. Special Economic Zones | Excessively long waiting periods for decisions concerning building Development |
|Legal barriers|Excessively long waiting periods for building permits (concerns towns with powiat charter – the second level of local government administration in Poland) |
|Infrastructure barriers|Spatial planning |
|Judiciary|Communal infrastructure barriers |
|Financing|Territorial marketing |

Source: own materials

Table 1: Barriers to realization of investment projects in Poland

environmental and spatial (sustainable development, preventing degradation of valuable areas and excessive spatial expansion of cities).

Table 1 presents barriers to realization of investment projects in Poland. The key element for the purposes of the conducted research was selecting those barriers which the local governments can influence, even if the scope of that influence is very limited, and those over which local governments have very limited influence or no influence at all.

Among the main barriers to the investment process in Poland, the ones that have already been mentioned by investors for many years are e.g. procrastination in the working of administrative procedures applied before building development conditions or building permits can be obtained. Although those procedures arise from specific laws, they can still function more or less effectively, depending on the organizational solutions adopted in different towns.

As the research done by the Polish Association of Developers Firms shows, as many as 95% of the decisions on building development conditions are issued past the deadline specified by the Administrative Proceedings Code. It should be noted here that customer service related to those decisions differs significantly from town to town.

One needs to bear in mind that the procedures related to obtaining building development conditions are a result of the lack of local spatial development plans, preparation of which is the responsibility of the local governments at the gmina level. As the research conducted by the Polish Academy of Sciences shows, at the end of 2010 the plans covered 26.4% of the area of Poland. That means an increase of 0.9% on the year 2009 and indicates a significant fall in the dynamics of the growth in the area covered by local planning. As is pointed out in the final report on the results of the above mentioned research, the planning coverage was markedly different in different powiat towns, increasing in total to 36.4% in 2010. That indicator is by far higher than the one for the whole country, yet it should be considered less favorably than the latter, due to the fact that essentially the whole, or most of the area of those towns should be included in the planning.

Investors also mention another barrier which can influence the investment attractiveness rating of Polish gmina towns and that is the communal infrastructure. As research indicates, differentiation within the range of the chosen components of communal infrastructure (the analysis covered the state of water and gas supply systems, as well as sewage systems) among Polish voivodeship towns is still very high.

Finally what needs to be mentioned is the quality of the direct cooperation of gmina governments with investors carrying out investment projects. That cooperation is closely linked with the quality of so called territorial marketing.

The low level of activity in the completion of tasks related to local administration marketing is linked mainly to poor advertising of gmina towns, lack of participation in self-government and investment trade fairs, and with low level of IT coverage, especially poor level of websites run by particular administrative units.

The research conducted between 15 September and 30 October 2010 by the Best Place – European Place Marketing Institute shows that activities related to the application of selected territorial marketing tools in particular Polish towns differ significantly.

### Table 2: Building development decisions and building permits processing in housing investments. Index for selected Polish towns in the years 2008 to 2011*

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Town</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gdynia</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>Gdańsk</td>
<td>-2.5</td>
</tr>
<tr>
<td>3</td>
<td>Bydgoszcz</td>
<td>-80.3</td>
</tr>
<tr>
<td>4</td>
<td>Kielce</td>
<td>-110</td>
</tr>
<tr>
<td>5</td>
<td>Szczecin</td>
<td>-115</td>
</tr>
<tr>
<td>6</td>
<td>Wrocław</td>
<td>-129.5</td>
</tr>
<tr>
<td>7</td>
<td>Warszawa</td>
<td>-144</td>
</tr>
<tr>
<td>8</td>
<td>Łódź</td>
<td>-172.1</td>
</tr>
<tr>
<td>9</td>
<td>Poznań</td>
<td>-180.2</td>
</tr>
<tr>
<td>10</td>
<td>Kraków</td>
<td>-192.5</td>
</tr>
</tbody>
</table>

* In the research, each deviation from the normal state scored negative, and therefore the scale below 0 was applied.

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and are also differently assessed. The aim of the analysis was to specify the respondents’ opinion on which towns and regions are best at carrying out promotional tasks, including activities which aim at attracting businesses, cooperating with them and at the development of local entrepreneurship. An additional goal was to diagnose the barriers in promoting local self-governing units. Those invited to participate in the survey were people in charge of organizational units responsible for promotion, from city councils, from governments of gmina towns of more than 100 thousand inhabitants, and from Marshal’s Offices (the total of 55 self-government units). An unchallenged leader in conducting promotional policy to attract investors turned out to be Poznań, appreciated – among others – for its Investors Service and Investment Promotion Bureau, which provides the data and information necessary for investors and organizes meetings with the President of Poznań and with representatives of other offices.

In the case of key projects, workers called “project pilots” are appointed to provide help during the whole process of investment preparation and realization. Moreover, the office guarantees support in finding staff through establishing contacts with colleges and career agencies, and also arranging help from Powiat Employment Agency, free of charge.

4. Summary

It is absolutely essential to identify the barriers which hinder realization of investment projects in certain cities or even make it impossible, in order to specify the activities necessary for streamlining the performance of public administrative units in the area of cooperation with investors. Those barriers are, for the large part, created by gminas themselves and their diversified intensity influences the assessment of the investment climate in the towns, thus also the attractiveness of the places.

Currently, research is being done in the Department of Real Estate and Investment Economics at the Cracow University of Economics, the aim of which is to build a system for monitoring investment factors in the biggest Polish towns (Warszawa, Kraków, Poznań, Wrocław, Łódź and Trójmiasto (i.e. Gdańsk, Sopot, Gdynia) which can be updated in subsequent years. One part of that monitoring system will be a town ranking built on synthetic indicators to show how active the towns’ approach towards investors is.

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Investment Attractiveness of Polish Cities in the Context of Local Governments’ Attitude towards Investors

Summary

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Atrakcyjność inwestycyjna polskich miast w kontekście aktywności samorządu terytorialnego wobec inwestorów

Streszczenie

Identyfikacja barier, które wpływają na opóźnianie lub wręcz uniemożliwianie realizacji projektów inwestycyjnych w poszczególnych miastach jest warunkiem koniecznym do określenia niezbędnych działań, pozwalających usprawniać funkcjonowanie jednostek administracji publicznej w zakresie współpracy z inwestorami. Bariery te w dużej części tworzone są przez samą gminę, przy czym intensywność ich występowania jest bardzo różna, sprawiając, że aktywność inwestycyjna poszczególnych miast, a co za tym idzie również ich atrakcyjność jest różnie oceniana. Prezentowany artykuł skupia się na analizie barier w realizacji projektów inwestycyjnych w Polsce i to tylko tych na które gmina (ewentualnie miasto na prawach powiatu) może bezpośrednio oddziaływać.