Executive Summary

In the twenty-five years since Poland discarded communism and the ten years since it joined the European Union (EU), Poland's investment climate has improved steadily and is highly conducive to U.S. investment. Since 2008, Poland's economy has grown by over 20 percent despite the global economic crisis, far outperforming that of any other EU member state. Poland's strong prospects for future growth will likely continue to attract new investors seeking access not just to its dynamic local market of over 38 million people, but also to the broader EU market of nearly 500 million.

Foreign investors also routinely cite Poland's young, well-educated, and relatively low-cost work force as a major reason to invest. Other factors making Poland an attractive investment destination are its proximity to major markets and its political stability. The volume of U.S. investment in Poland amounts to more than $20 billion, taking into account the amounts routed through U.S. subsidiaries in other countries. That makes the United States one of the largest foreign investors in Poland.

Having established a solid legal foundation and tax regime conducive to investment, Poland's government is now focused on streamlining regulations and bureaucratic processes in order to make doing business easier. The government seeks to expand the economy by encouraging entrepreneurship and innovation through the use of EU funding (Horizon 2020) to support scientific research, technological development, and innovation.

There are growing opportunities for foreign direct investment (FDI) in a number of Polish sectors. In services, business process outsourcing offering accounting, legal, and information technology services, as well as research and development, is Poland's fastest-growing sector, and will continue to attract FDI. The defense industry is another promising sector, as Poland prepares to spend $45 billion program through 2022 on military modernization, and will look for domestic production and technology transfer opportunities in awarding tenders. There are also opportunities for FDI in the energy sector (nuclear, renewables and shale gas development) as Poland seeks to diversify its energy mix, and in information infrastructure as Poland implements its plan to connect all Polish households to the internet by 2020.

Issues for investors to watch include developments in neighboring Ukraine. Further turmoil in Ukraine and disruptions in trade relations with Russia could reduce Poland's GDP growth for 2014 (projected at approximately 3%) by about 0.1-0.2 of a percentage point. To mitigate the impact of the Ukrainian crisis, Polish companies hope to diversify their export markets and take advantage of rising domestic demand to expand sales in Poland.

1. Openness to and restrictions upon Foreign Investment

Attitude Toward FDI

Poland welcomes foreign investment not only as a source of capital, growth, and jobs, but also as a vehicle for technology transfer, research & development (R&D), and integration into global supply chains. By the end of 2012, according to IMF and National Bank of Poland data, Poland had attracted an estimated $235 billion (cumulative) in foreign direct investment (FDI), principally from Western Europe and the United States. Foreign companies generally enjoy unrestricted access to the Polish market. However, Polish law limits foreign ownership of companies in selected strategic sectors, and still limits foreign acquisition of real estate, especially agricultural land.

Poland has introduced a series of reforms in recent years to improve the climate for foreign and domestic investment. In April 2014, the Polish government approved the "Enterprise Development Program 2020" (Program Rozwoju Przedsiebiorczosci do 2020), which aims to create a friendly business environment for companies as well as to support R&D, innovation projects, and cooperation between business and academia. Poland has also improved administration of real estate registers and public procurement law. National and local governments are implementing an internet-based "one-stop shop" registration process for new businesses as well. Despite these reforms, many foreign investors complain of over-regulation and burdensome bureaucratic processes. Parliament established a permanent commission in late 2012 to accelerate the deregulation process in Poland.

Laws/Regulations of FDI

The basic legal framework for establishing and operating companies in Poland, including companies with foreign investors, is found in the Commercial Companies Code. The code provides for the establishment of joint-stock companies, limited liability companies, or partnerships (e.g., limited joint-stock partnerships, professional partnerships). These corporate forms are available to foreign investors who come from an EU or European Free Trade Area (EFTA) member state or from a country that offers reciprocity to Polish enterprises, including the United States.

With few exceptions, foreign investors are guaranteed national treatment. Companies that did not have a subsidiary established in the EU before May 1, 2004, but that conduct, or plan to commence business operations in Poland must observe all EU regulations, and may not be able to benefit from all privileges to which EU companies are entitled. Foreign investors without permanent residence and the right to work in Poland may be restricted from participating in day-to-day Polish operations of a company.

According to the Law on the National Court Register of October 1997, all companies, commercial partnerships, and sole proprietorships must be listed in the Register of Entrepreneurs, a part of the district court-managed National Court Register. The Register of Entrepreneurs is a public document. The law specifies certain situations in which registration may be refused (e.g., if required documents are not submitted on time or on national security grounds).

Under the Law on Freedom of Economic Activity, branch offices are registered in the National Court Register under the name of the foreign investor, with the notation "branch in Poland." A branch office can perform any activity within the scope of business of the parent foreign investor that established the branch. In contrast, representative offices must limit their activities to promotion and advertising for the parent foreign investor. Representative offices must register with the Ministry of Economy.

Industrial Promotion

Poland has a number of government programs to stimulate investment to targeted sectors including: the Energy Policy of Poland until 2030, the Electrical Power Sector Program, the Policy of the Government of the Republic of Poland with respect to the Oil Industry in Poland, and Coal Mining Activities in Poland 2007-2015. Large investments in priority sectors may qualify for the government's "Program for the support of investments of considerable importance for the Polish economy for 2011-2020 offers grant support to large investments that create jobs in priority sectors, including automotive, electronics, aviation, biotechnology, and modern services (finance, information and communication, professional business services). The program also supports research and development (R&D).
Companies can learn more at: http://www.paiz.gov.pl/governmental_grants

Limits on Foreign Control

Poland places limits on foreign ownership and foreign equity for a limited number of sectors. Polish law limits non-EU citizens to 49% ownership of a company's capital shares in the air transport, radio and television broadcasting, and airport and seaport operations sectors. The government repealed the law requiring state ownership of LOT Polish Airlines and affiliates in July 2013. PLL LOT S.A., Eurolot S.A. and LS Airport Services S.A. may therefore be sold to EU entities. Licenses and concessions for defense production and management of seaports are granted on the basis of national treatment for investors from OECD countries. Pursuant to the Broadcasting Law, a TV broadcasting company may only receive a license if the voting share of its foreign owners does not exceed 49% and if the majority of the members of the management and supervisory boards are Polish citizens and hold permanent residence in Poland. In the insurance sector, at least two members of management boards, including the chairman, must speak Polish.

The Law on Freedom of Economic Activity requires companies to obtain governmental concessions, licenses, or permits to conduct business in certain sectors, including broadcasting, aviation, energy, weapons/military equipment, mining, and private security services. According to the Law on Freedom of Economic Activity, a permit from the Treasury Ministry is required for certain major capital transactions (i.e., to establish a company when a wholly or partially Polish-owned enterprise is contributed in-kind to a company with foreign ownership).

Polish law restricts foreign investment in land and real estate. Since Poland's EU accession in 2004, foreign citizens from EU member states, Iceland, Liechtenstein, Norway, and Switzerland do not need permission to purchase non-agricultural real estate, or to acquire or receive shares in a company owning non-agricultural real estate in Poland. These foreign citizens are still subject to restrictions on the acquisition of Polish agricultural land, however. Under the terms of its accession to the EU, Poland will remove nearly all restrictions on acquisition of Polish agricultural land for all categories of foreign citizen by the end of May 2016.

Citizens from countries other than the EU, Iceland, Liechtenstein, Norway, and Switzerland are allowed to purchase an apartment, 0.4 hectares (4,000 square meters) of urban land without restriction, or up to one-half hectare of agricultural land with building restrictions and restrictions on eligibility for government support programs. In order to make large commercial real estate purchases, such foreign citizen must obtain a permit from the Ministry of Interior (with the consent of the Defense and Agriculture Ministries), pursuant to the Act on Acquisition of Real Estate by Foreigners. A foreign business intending to buy real estate in Poland may apply for a provisional permit from the Ministry of Interior, which is valid for two years from the date of issue, during which time the company is expected to assemble documents demonstrating it is a viable business. Permits may be refused for reasons of social policy or public security. Foreigners can (and do) lease agricultural land.

Privatization Program

After over twenty years of privatization, the Treasury now controls or owns shares of certain enterprises it deems strategic and dozens of others slated for sale. With few exceptions, the Polish government has invited foreign investors to participate in major privatization projects. In general, bidding criteria have been clear and the process has been transparent. There are nearly 50 state-owned enterprises (SOEs) classified as "strategically important," the majority of which are in the energy, financial, and mining sectors. The government intends to keep majority share ownership of these firms, or to sell tranches of shares in a way that will ensure maintenance of state control. In 2011, the National Bank Supervisory board (KNF) began a program to provide loans to Polish institutions, including some that are partially state-owned, to buy foreign-owned banks. In late 2012, the Treasury Ministry established the Polish Investment Program (PIR). It uses privatization revenues and government assets, including SOE holdings, to co-finance investments in infrastructure, in chemical, energy, transport and telecommunication industries.

Screening of FDI

Poland does not have any general screening mechanism for foreign firms' entry and establishment of businesses.

Competition Law

Poland's anti-trust authority, the Office of Competition and Consumer Protection (UOKiK), reviews investment and merger transactions for competition-related concerns. Its mandate covers transactions of a magnitude which influences, or may influence, the Polish market. Under the Act on Competition and Consumer Protection, participants in planned transactions must obtain UOKiK's advance clearance if their turnover in the year preceding the application exceeded either EUR 1 billion globally or EUR 50 million in Poland. The law provides for a waiver of the obligation to notify UOKiK in certain situations, such as if the annual turnover in Poland of the target enterprise was less than EUR 10 million in the two previous years, or if the parties to the merger already belong to the same capital group.

Investment Trends

An increasing share of FDI in Poland is in the services sector, although Poland has a large base of manufacturing. One of the largest FDI projects announced in Poland in 2013 was a U.S. retail and logistics firm who will open centers in Wroclaw and Poznan in 2014 and 2015. According to the Polish Information and Investment Agency (PAIiIZ), the number of new investment projects is growing in the automotive, R&D, electronic and chemical sectors.

Bloomberg Rankings for 2013 announced Poland as the best Central European country for business. According Ernst & Young's European Attractiveness report, in the next three years Poland will be the second most attractive country for investment in Europe, after Germany. Poland ranked 45th in the World Bank's "Doing Business 2014" report, an improvement from 48th place a year earlier. Poland enhanced the ease of doing business by making it easier to start a business and obtain construction permits. The report noted, however, that Poland's complex tax system and business regulations remain burdensome, particularly in relation to new business formation. UNCTAD's World Investment Prospects Survey 2013–2015 ranked Poland as the fourth European and the fourteenth World's top foreign investment destination.

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	**Year**	**Rank or value**	**Website Address**
TI Corruption Perceptions index	2013	(38 of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	(50 of 177)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2014 2013	(45 of 189) (48 of 189)	http//doingbusiness.org/rankings
Global Innovation Index	2013	(49 of 142)	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	USD 12,660	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

Foreign exchange is widely available through commercial banks as well as exchange offices. Payments and remittances in convertible currency may be made and received through a bank authorized to engage in foreign exchange transactions, and most banks have such authorization. Foreign investors have not complained of significant difficulties or delays in remitting investment returns such as dividends, return of capital, interest and principal on private foreign debt, lease payments, royalties, or management fees. Foreign currencies can freely be used for settling accounts.

Poland provides full IMF Article VIII convertibility for current transactions. The Polish Foreign Exchange Law, as amended, fully conforms to the OECD Codes of Liberalization of Capital Movements and Current Invisible Operations.

In general, foreign exchange transactions with the EU, OECD, and European Economic Area (EEA) countries are accorded equal treatment and are not restricted.

Except in limited cases which require a permit, foreigners may convert or transfer currency to make payments abroad for goods or services and also may transfer abroad their shares of after-tax profit from operations in Poland. Foreign investors may freely withdraw their capital from Poland. Full repatriation of profits and dividend payments is allowed without obtaining a permit. However, a Polish company (including a Polish subsidiary of a foreign company) must pay withholding taxes to the Polish tax authorities on any distributable dividends unless a double taxation treaty is in effect. A double taxation treaty is in place between Poland and the United States. The United States and Poland signed an updated bilateral tax treaty in February, 2013, but the United States had not yet ratified it as of April, 2014. As a rule, a company whose headquarters is outside of Poland is subject to corporate income tax on income earned in Poland, under the same rules as Polish companies.

Foreign exchange regulations require non-bank entities dealing in foreign exchange or acting as a currency exchange bureau to submit reports electronically to the National Bank of Poland (NBP) at http://sprawozdawczosc.nbp.pl. An exporter may open foreign exchange accounts in the currency it chooses.

Remittance Policies

Poland does not prohibit remittance through legal parallel markets utilizing convertible negotiable instruments (such as dollar-denominated Polish bonds in lieu of immediate payment in dollars). As a practical matter, however, such payment methods are rarely, if ever, used. Poland is not a Financial Action Task Force (FATF) member, but is seeking membership.

3. Expropriation and Compensation

Article 21 of the Polish Constitution states: "expropriation is admissible only for public purposes and upon equitable compensation." The Law on Land Management and Expropriation of Real Estate provides that property may be expropriated only in accordance with statutory provisions such as those concerning construction of public works, national security considerations, or other specified cases of public interest. The government must pay full compensation at market value for the expropriated property. The procedure of acquiring land for road construction investment has been liberalized and simplified to accelerate property acquisition. Most acquisitions for road construction are resolved without problems. However, there have been a few cases in which inability to reach agreement on remuneration has resulted in expropriation and compensation protests/disputes. Post is not aware of any expropriation actions against U.S. investments, companies, or representatives.

4. Dispute Settlement

The Polish legal system offers an acceptable level of protection for business, but has undergone appreciable changes in a very short time. Poland has a written commercial law, the Commercial Companies Code. This code provides for the establishment, organization, operations, dissolution, division and transformation of commercial companies.

The UN Convention on the International Sales of Goods applies to all everyday cross-border business transactions in western European countries and Poland. Consequently, most ordinary international business transactions with Poland are regulated by well-known fundamental legal principles.

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The Polish legal system is code-based and prosecutorial. Poland has 365 first instance courts of general jurisdiction and 28 specialized courts. In civil and commercial matters the first instance courts sit in single-judge panels, the courts handling appeals sit in three-judge panels. The majority of disputes are handled in the first instance by District Courts (Sad Rejonowy). When the value of the subject matter dispute exceeds a certain amount or the subject matter requires more expertise (such as in intellectual property right matters) the Circuit Courts (Sad Okregowy) serve as first instance courts. Circuit Courts also handle appeals from District Court verdicts. Courts of Appeal (Sad Apelacyjny) handle appeals from verdicts of Circuit Courts as well as generally supervise the courts in their region. The Ministry of Justice continues work to simplify court procedures and ensure timely court proceedings.

The judiciary acts independently. The Polish judicial system generally upholds the sanctity of contracts. Judgments of foreign courts are, under the Polish Civil Procedure Code and European Community regulation, able to be recognized. However, there are many judgments of foreign courts which are not accepted or accepted partially in Polish courts. One of the reasons for delays in recognition of judgments of foreign courts is an inadequate number of judges specializing in specific matters.

Generally, foreign firms are wary of the slow and over-burdened Polish court system, preferring to rely on other means to defend their rights. Contracts involving foreign parties frequently include a clause specifying that disputes will be resolved in a third-country court or through offshore arbitration.

Bankruptcy

Poland's Bankruptcy Law provides that a company’s creditors or its governing bodies (i.e., its Board of Directors or another body, depending on the corporate form of the debtor) may file declarations of bankruptcy. The Creditors Preliminary Assembly has the right to decide, at the initial stage of the bankruptcy process, whether a workout agreement is possible or whether assets of a bankrupt company should be liquidated. Liabilities are repaid in the following order: cost of legal proceedings; employee remuneration; liabilities to the State and Social Security Fund (ZUS) secured by a mortgage or pledge; other liabilities secured by mortgages or pledges; other taxes and other public liabilities; other liabilities. The Mortgage Banking Act and the Law on Registered Pledges and Pledge Registry protect qualified mortgagors and secured creditors against subsequent tax liens and other secured and unsecured claims. Monetary judgments are usually made in local currency. As of 2014 the OECD estimates that it takes an average of three years to close a business in Poland, slightly more than double the OECD average. The Justice Ministry continues work on simplifying and relaxing bankruptcy procedures.

Investment Disputes

Poland's sale of state-owned enterprises, adoption of EU regulations, and passage of legislation limiting the role of the state in economic activity have facilitated an environment in which there have been few investment disputes. Investment disputes involving U.S. and foreign investors in Poland do not reflect a discernable pattern. Polish civil society has not expressed a position on investment disputes.

International Arbitration

Poland does not have a law on arbitration, but there are provisions in the Polish Code of Civil Procedures of 1964, as amended, which is based on a large extent to the UNCITRAL Model Law. Commercial contracts between a Polish company and a foreign company often contain an arbitration clause. Arbitration tribunals to settle disputes that arise from international commercial activities operate through the Polish Chamber of Commerce, and other sector organizations. Under the Code of Civil Procedure, an arbitration agreement must be in writing.

There is no distinction in the law between domestic and international arbitration. The law only distinguishes between foreign and domestic arbitral awards for the purpose of their recognition and enforcement. Arbitration body decisions are not automatically enforceable in Poland; they must be confirmed in a Polish court. Under the Polish Civil Code, local courts accept and enforce judgments of foreign courts, however, in practice; acceptance of foreign court decisions varies.

ICSID Convention and New York Convention

Poland is not a party to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (Washington Convention).

Poland is party to the following international agreements on dispute resolution, with the Ministry of Finance acting as the government's representative:

1. The 1923 Geneva Protocol on Arbitration Clauses

2. The 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards

3. The 1961 Geneva European Convention on International Trade Arbitration

4. The 1972 Moscow Convention on Arbitration Resolution of Civil Law Disputes in Economic and Scientific Cooperation

Duration of Dispute Resolution

On average it takes around 13 weeks to enforce an arbitration award rendered in Poland, from filing an application to a writ of execution attaching assets (if there is no appeal), and 15 weeks for a foreign award.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Post is not aware of Poland's notifications to the World Trade Organization (WTO) of any measures it maintains that are inconsistent with its obligations under the Trade Related Investment Measures (TRIMS) Agreement.

Investment Incentives

A company investing in Poland, either foreign or domestic, may receive assistance from the Polish government. A number of incentives are potentially available to foreign investors in Poland: income tax and real estate tax exemption in Special Economic Zones (SEZ); investment grants of up to 50% of investment costs (70% for small- or medium-sized enterprises); grants for research and development; grants for other activities, such as environmental protection, training, logistics, or creating renewable energy sources.

Regulations on special economic zones and on public assistance to entrepreneurs provide the basis for exemptions from income tax or other incentives. The amount of assistance (e.g., tax exemptions, grants, etc.) available to investments outside of SEZs varies from region to region. The government produces a "regional aid map" which specifies an assistance ceiling for each region, expressed as a percentage of a project's new investment or employment costs. Poland does not have any restrictions on government financed or subsidized national research and development programs. U.S. and other foreign firms can participate in these programs if their company is registered in Poland.

More information can be found at: http://www.paiz.gov.pl/governmental_grants;
http://www.paiz.gov.pl/investment_support/investment_incentives_in_SEZ;

http://www.paiz.gov.pl/index/?id=9f975093da0252e2c0ae181d74c90dc6.

Performance Requirements

Poland has no policy of "forced localization" designed to force foreign investors to use domestic content in goods or technology, and no requirement to store data locally. Polish regulations protect an individual's personal data that is collected in Poland regardless of where the data is physically stored. GIODO (Bureau of the Inspector General for Personal Data Protection) is the institution that enforces personal data regulation.

6. Right to Private Ownership and Establishment

Domestic and foreign private entities generally may freely establish, acquire, or dispose of a business, and may engage in economic activity in accordance with the Commercial Companies Code. The Civil Code, as amended, regulates property rights of individuals or legal entities. Civil Code regulations are based on the principles of equality of all parties regardless of their ownership status, equivalency of obligations, discretion, protection of private ownership, and freedom of contracts.

7. Protection of Property Rights

Poland has a non-discriminatory legal system accessible to foreign investors that protects and facilitates acquisition and disposition of all property rights, including land, buildings, and mortgages. Many investors, foreign and domestic, complain that the judicial system is extremely slow in adjudicating cases involving property rights.

Real Property

Poland recognizes and enforces secured interests in property, movable and real. The concept of a mortgage exists in Poland, and there is a recognized system of recording such secured interests. The informal sector accounts for around 15% of Poland’s GDP according to the Poland's Central Statistical Office. Widespread nationalization of property during and after World War II has complicated the ability to establish clear title to land in Poland, especially in major municipalities. While the Polish government has an administrative system for reviewing claims for the restitution of communal property, former individual property owners must file claims with Polish court system in order to receive restitution. There is no statute of limitations to file private property restitution claims. As a result, it is sometimes difficult to establish clear title, although, there are no estimates of what portion of land does not have clear title in Poland.

Intellectual Property Rights

Polish intellectual property rights (IPR) law is stricter than European Commission directives require. Enforcement is good and improving. Physical piracy (*e.g.*, optical discs) is not a problem in Poland. However, online piracy of movies, music, and software, continues to be widespread, despite progress in enforcement. Poland has one notorious online market, Darkwarez.pl.

In 2013 there were no changes introduced to IPR law in Poland. Polish law requires the rights holder to start the prosecution process. In Poland, authors’ and creators’ organizations and associations track IPR violations and present motions to the prosecutors to start an IPR investigation. Rights holders continue to express concern that penalties for digital IPR infringement are not at levels sufficient to deter violations. In an effort to address these concerns, the Polish government has established a national IPR strategy, with a goal to adopt EU IPR protection strategies. The Polish Patent Office is currently negotiating an agreement with its U.S. counterpart USPTO to participate in USPTO's Patent Prosecution Highway. Polish officials are working on simplification of administrative procedures involved in patenting, copyrights, trade secrets, trademarks and semiconductor chip layout designs.

For additional information about treaty obligations and points of contact at local offices dealing with IPR, please see WIPO’s country profiles at http://www.wipo.int/directory/en/.

Contact Point at Post for Intellectual Property Issues

- Angela Palazzolo
- Trade and Investment Officer
- Ul. Ujazdowskie 29/31, 00-540, Warszawa, Poland
- +48 22 504 2000
- ICSPoland@state.gov

Mission Poland has compiled lists of attorneys with the help of Polish District Bar Associations. Mission Poland assumes no responsibility for the professional ability or integrity of the persons who appear on the list. The lists may be found here: http://poland.usembassy.gov/poland/attorneys.html.

8. Transparency of the Regulatory System

Polish accounting standards do not differ significantly from international standards and major international accounting firms provide services in Poland. In cases where there is no national accounting standard, the appropriate International Accounting Standards may be applied. However, regulatory unpredictability and high levels of administrative red tape are recurring complaints of investors. Foreign and domestic investors must comply with a variety of laws concerning taxation, labor practices, health and safety, and the environment. Complaints about these laws, especially the tax system, center on the lack of clarity and on strict penalties for minor errors.

Proposed laws and regulations are published in draft form for public comment, and the ministries are obliged to conduct public consultations. In practice, participation in these public consultations and the time period allotted for them are often limited. Polish citizens can track proposed legislation on the Prime Minister's webpage, http://legislacja.rcl.gov.pl/.

9. Efficient Capital Markets and Portfolio Investment

Liquidity, Credit, Banking System, Hostile Takeovers

The Polish regulatory system is effective in encouraging and facilitating portfolio investment. Both foreign and domestic investors may place funds in demand and time deposits, stocks, bonds, futures, and derivatives. Poland has healthy equity markets that facilitate the free flow of financial resources. Poland provides full IMF Article VIII convertibility for current transactions. Banks can and do lend to foreign and domestic companies. Companies can and do borrow abroad and issue commercial paper. The Act on Investment Funds allows for open-end, closed-end, and mixed investment funds, as well as the development of securitization instruments in Poland. In general, no special restrictions apply to foreign investors purchasing Polish securities.

Credit allocation is on market terms. The government, however, maintains some programs offering below-market rate loans to certain domestic groups, such as farmers and homeowners. Foreign investors and domestic investors have equal access to the Polish financial markets. Private Polish investment is financed from retained earnings and credits, while foreign investors utilize funds obtained outside of Poland as well as retained earnings. Polish firms raise capital both in Poland and in other countries.

The banking sector remains sound with major banks well capitalized. Supervision and risk management have proven efficient in containing excessive risk-taking. The state still owns several banks, but the sector is predominantly privately owned. However, the Polish banking system suffers a mismatch of long term assets and short–term liabilities. Based on the Polish central bank's data between 1996 and 2012, the "maturity gap" increased significantly. The average residual maturity of assets exceeded 6 years in 2012 (while less than 2 years in 1996); while the maturity gap for liabilities remained below 1 year.

Stress tests conducted by the NBP indicate that most domestic banks hold sufficient capital to absorb the effects of a severe macroeconomic shock and maintain high capital-adequacy ratios. With an average capital-adequacy ratio of 15.8% in November 2013, all banks meet the 8% minimum requirement. This ratio has risen steadily in recent years, owing to moderate asset growth and retained profits. This means that Poland's banking sector comfortably meets the regulatory requirements set by the European Banking Authority. Although the overall capital position of the banking sector has strengthened, the quality of bank assets has deteriorated because of the rising indebtedness of the non-financial sector: the proportion of loans more than 90 days in arrears rose from 6% at end-2011 to 6.7% at end-2012. The top ten banks held $273.9 billion of assets at the end of 2012.

Neither the government nor private firms have taken measures to prevent hostile takeovers by foreign or domestic firms. Hostile takeover attempts are rare.

10. Competition from State-Owned Enterprises

SOEs still exist in some sectors, most notably the mining, energy and financial sectors. There is no up-to-date consolidated list of SOEs available. The Treasury Ministry's website includes a privatization plan dated March 2012 which lists companies in which the state held a majority or minority share, and specifies the SOEs over which the state intends to retain control for strategic reasons. There is no consolidated information on SOE budgets for R&D available to Post. The Polish government is working to improve the efficiency of SOEs through enhancing corporate governance standards.

The same standards are generally applied to both private and public companies with respect to access to markets, credit, and other business operations such as licenses and supplies. Officials at various levels of government occasionally exercise their discretionary authority to assist SOEs. In general, SOEs are meant to pay their own way, financing their operations and funding further expansion through profits generated from their own operations. SOEs are governed by a board of directors and most pay an annual dividend to the government. SOEs prepare and disclose annual reports. The process for investment disputes involving SOEs is transparent and non-discriminatory. Since EU accession, government activity favoring state-owned firms has received careful scrutiny from Brussels.

11. Corporate Social Responsibility

While there is no specific legislation in place to promote corporate social responsibility (CSR) good practices among Polish companies, the Ministry of Economy is tasked with supporting the implementation of CSR programs. Companies are, with growing frequency, compiling CSR activity reports based on international reporting standards. Nevertheless, CSR initiatives involving top managers and CEOs are rare, indicating that business leadership does not yet uniformly view CSR as an integral element of business strategy. Many Polish companies, particularly small and medium size enterprises, lack the knowledge and experience to implement effectively generally accepted CSR practices, such as those described in the OECD Guidelines for Multinational Enterprises. There is also an ongoing discussion among employers whether

CSR regulations should be enforced on companies or should CSR be a voluntary process. (**www.csr.gov.pl**).

12. Political Violence

Poland is a politically stable country. Constitutional transfers of power are orderly. The last parliamentary elections took place in October 2011; the new government formed in November 2011. The next elections will be in May 2014 for the European Parliament and October 2014 for local government officials. National parliamentary and presidential elections are scheduled for 2015.

There have been no confirmed incidents of politically motivated violence toward foreign investment projects in recent years. Poland has neither insurgent groups nor belligerent neighbors. To date, the civil unrest in neighboring Ukraine has had minimal impact on Poland's business climate. The Overseas Private Investment Corporation (OPIC) provides political risk insurance for Poland but is not frequently used, as competitive private sector financing and insurance are readily available.

13. Corruption

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Poland has laws, regulations, and penalties aimed at combating corruption. Although corruption remains a recognized and continuing problem, its scale and impact on economic growth and development has considerably diminished since the beginning of the 1989 transformation from Communism and its 2004 entry into the EU. A February 2014 European Commission report on corruption found that Poland has made progress in tackling corruption, but needs stronger anti-corruption measures in a number of areas, such as public procurement, supervision of state-owned enterprises, and the healthcare sector. In 2013, the Transparency International (TI) index of perceived public corruption ranked Poland as the 38th least corrupt among 177 countries. Due to the downward trend of corruption in Poland, Transparency International closed its Polish chapter in 2011.

The Polish Central Anti-Corruption Bureau (CBA), Internal Security Agency, and national police all investigate public corruption. The Justice Ministry and the police are responsible for enforcing Poland's anti-corruption criminal laws. The Finance Ministry administers tax collection and is responsible for denying the tax deductibility of bribes.

Reports of alleged corruption most frequently appear in connection with government contracting and the issuance of a regulation or permit that benefits a particular company. Allegations of corruption by customs and border guard officials, tax authorities, and local government officials show a decreasing trend. If such corruption is proven, it is usually punished. Overall, U.S. firms have found that maintaining policies of full compliance with the U.S. Foreign Corrupt Practices Act (FCPA) is effective in building a reputation for good corporate governance and that doing so is not an impediment to profitable operations in Poland. In April 2014, the Polish subsidiary of a U.S. information technology firm agreed to pay criminal penalties and forfeitures in the United

States after admitting to violating the FCPA in Poland. The Polish CBA is conducting its own investigation into corruption accusations against this and other U.S. firms.

Poland ratified the UN Anticorruption Convention in 2006 and the OECD Convention on Combating Bribery in 2000. Implementing legislation, which came into effect in February 2001, classifies the payment of a bribe to a foreign official as a criminal offense, the same as if it were a bribe to a Polish official.

Contact at government agency responsible for combating corruption
- ORGANIZATION Centralne Biuro Antykorupcyjne (Central Anti-Corruption Bureau - CBA)
- ADDRESS Centralne Biuro Antykorupcyjne, ul. Poleczki 3, 02-822 Warszawa
- TELEPHONE NUMBER +48 800 808 808
- EMAIL ADDRESS kontakt@cba.gov.pl or via web: www.cba.gov.pl; link: Zglos Korupcje (report corruption)

Contact at "watchdog" organization
- ORGANIZATION Batory Foundation, Public Integrity Program
- TELEPHONE NUMBER +48 (22) 536 0257
- EMAIL ADDRESS op@batory.org.pl

Batory Foundation's contact information is for whistleblowers only.

14. Bilateral Investment Agreements

As of February 2013, Poland had in force 59 bilateral investment agreements: Albania (1993); Argentina (1992); Australia (1992); Austria (1989); Azerbaijan (1999); Bangladesh (1999); Belgium and Luxembourg (1991); Belarus (1993); Bulgaria (1995); Canada (1990); Chile (2000); China (1989); Croatia (1995); Cyprus (1993); the Czech Republic (1994); Denmark (1990); Egypt (1998); Estonia (1993); Finland (1998); France (1990); Germany (1990); Greece (1995); Hungary (1995); India (1997); Indonesia (1993); Iran (2001; although they support international sanctions regimes); Israel (1992); Jordan; Kazakhstan (1995); Kuwait (1993); Latvia (1993); Lithuania (1993); Macedonia (1997); Malaysia (1994); Moldova (1995); Mongolia (1996); Morocco (1995); the Netherlands (1994); Norway (1990); Portugal (1993); Romania (1995); Serbia and Montenegro (1997); Singapore (1993); Slovenia (2000); Slovakia (1996); South Korea (1990); Spain (1993); Sweden (1990); Switzerland (1990); Thailand (1993); Tunisia (1993); Turkey (1994); Ukraine (1993); United Arab Emirates (1994); the United Kingdom (1988); the United States (1994); Uruguay (1994); Uzbekistan (1995); Vietnam (1994). The United States and Poland signed a Treaty Concerning Business and Economic Relations in 1990; it entered into force in 1994 for an initial period of ten years, and then was amended and ratified in October 2004.

Bilateral Taxation Treaties

Poland has signed (as of December 2013) Double Tax Treaties with:
Albania, Algeria (a), Armenia, Australia, Austria, Azerbaijan, Bangladesh, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, Chile, China, Croatia, Cyprus, Czech Rep., Denmark, Estonia, Egypt, Finland, France, Georgia, Germany, Greece, Guernsey (a), Hungary,

Iceland, India, Indonesia, Iran, Ireland, Israel, Italy, Japan, Jersey, Jordan, Kazakhstan, Korea, Kuwait, Kyrgyzstan, Latvia, Lebanon, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Isle of Man, Mexico, Moldova, Mongolia, Montenegro, Morocco, Netherlands, New Zealand, Nigeria (a), Norway, Pakistan, Philippines, Portugal, Qatar, Romania, Russia, Serbia, Singapore, Slovakia, Slovenia, Saudi Arabia, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Syria, Tajikistan, Thailand, Tunisia, Turkey, Ukraine, UK , United Arab Emirates, Uruguay (a), U.S., Uzbekistan, Vietnam, Zambia (a), Zimbabwe
(Note: (a) Treaty signed, but not yet in force)

A double taxation treaty is in place between the United States and Poland, but an updated bilateral tax treaty was signed in February 2013 and is awaiting ratification by the United States.

A "totalization treaty" (The Agreement between the United States of America and the Republic of Poland on Social Security) prevents double taxation, enables resumption of payments to suspended beneficiaries, and allows transfer of benefit eligibility.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) provides political risk insurance for U.S. companies investing in Poland against political violence, expropriation, and inconvertibility of local currency. OPIC offers medium and long-term financing in Poland through its direct loan and guarantee programs. Direct loans are reserved for U.S. businesses or cooperatives. Loan guarantees are issued to U.S. lending institutions.

The estimated annual U.S. dollar value of the local currency to be used by the Mission in 2014 is $ 31 million. This figure includes embassy and consulate spending, and payroll paid in local currency.

Generally, the Mission uses the official United States Government rate as defined daily by the Department of State's Bureau of the Comptroller and Global Financial Services. The rate is set by the Charleston financial service center. The mission has also a few leases/contracts that stipulate payment is based on the average rate of the National Bank of Poland.

The World Bank's Multilateral Investment Guarantee Agency also provides investment insurance similar to OPIC's for investments in Poland.

16. Labor

Poland has a well-educated, skilled labor force. Productivity remains below Western standards but is rising rapidly, and unit costs are competitive. In early 2014, the average gross wage in Poland was around $950 per month.

Poland's economy employed roughly 16 million people at the end of 2013, with total unemployment rate at 10.1% and youth unemployment rate at 27.4% in December 2013 (as measured according to standard EU and International Labor Organization (ILO) methodology).

Unemployment varied substantially from one region to another. At the end of 2013, the lowest levels of unemployment were in major urban areas.

Polish workers are usually eager to work for foreign companies, both in Poland and abroad, and many have taken advantage of opportunities for employment in Great Britain, Ireland, Belgium, Germany, and the Netherlands. Since Poland joined the EU, over two million Poles have sought work in other EU member states.

Polish companies suffer from a shortage of qualified workers. Among the most sought-after specialists are engineers, IT specialists, salespersons, project managers, and technical advisors. Manufacturing companies are looking for welders, bricklayers, machinery and forklift operators. Overall, employment in the public sector continues to shrink as the private sector grows. Employment has expanded in service industries such as information technology, manufacturing, and administrative and support service activities. In recent years, the business process outsourcing industry in Poland has experienced dynamic growth. The state-owned sector still employs about a quarter of the work force, although employment in fields such as coal mining, steel, and energy is declining.

In 2012, Poland revised its pension system and implemented legislation that will gradually raise the retirement age for both men and women to 67. Previously, the retirement age had been 65 for men and 60 for women. The retirement age was also raised for people in the uniformed services, such as the police and army, who are covered by a separate pension system.

Most workers have the legal right to establish and join independent trade unions and to bargain collectively. The influence of trade unions in Poland is declining, though they remain powerful in the coal-mining industry and shipyards. The trade unions were vocal in their opposition to the 2012 changes in the pension system. In September 2013, the three major trade unions launched a four-day strike after talks broke down between representatives from the government, employers, and labor. The strike was political in nature and there were no economic effects.

The 1996 Labor Code governs most aspects of employee-employer. This outlines employee and employer rights in all sectors, both public and private, and has been gradually revised in order to adapt to EU standards. The Polish government also adheres to the ILO Convention protecting worker rights.

The law requires equal pay for equal work as well as equal treatment with respect to signing labor contracts, conditions of employment, promotion, and access to training. The law defines equal treatment as nondiscrimination in any way, directly or indirectly on the grounds of gender, age, disability, race, religion, nationality, political opinion, ethnic origin, denomination, sexual orientation, whether or not the person is employed temporarily or permanently, full time or part time.

Investors have welcomed recent amendments to the Polish Labor Code including the introduction of flexible working hours, which reduces overtime costs to employers, and expansion of the types of work that may be performed on Sundays and holidays.

17. Foreign Trade Zones/Free Ports

Foreign-owned firms have the same investment opportunities as Polish firms to benefit from foreign trade zones (FTZs), free ports, and special economic zones. The 2004 Customs Law regulates operation of FTZs in Poland. The Minister of Finance, in cooperation with the Minister of Economy, establishes duty-free zones. The Ministers designate the zone's managing authorities, usually provincial governors who issue operating permits to interested companies for a given zone.

Most activity in FTZs involves storage, packaging, and repackaging. As of January 2014, there were seven FTZs: Gliwice, near Poland's southern border; Terespol, near Poland's eastern border; Mszczonow, near Warsaw; Warsaw's Frederic Chopin International Airport (duty-free retail trade within the airport); Szczecin; Swinoujscie; and Gdansk. Duty-free shops are available only for travelers departing to non-EU countries.

There are thirteen bonded warehouses: Bydgoszcz – Biale Blota (airport), Gdynia (seaport); Krakow-Balice (airport); Wroclaw-Strachowice (airport); Katowice-Pyrzowice (airport); Gdansk-Trojmiasto (airport); Lodz (airport); Braniewo (near Olsztyn); Poznan-Lawica (airport); Rzeszow-Jasionka (airport), Warszawa Modlin (airport), and Lublin (airport), Szczecin – Goleniow (airport).

Commercial companies can operate bonded warehouses. Customs and storage facilities are operated pursuant to custom authorities' permission. Bonded warehouses can be open to the general public, while a private warehouse is reserved for the warehouse keeper's goods. The authorization to operate such a customs warehouse can be issued only to persons established in the EU.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Host Country Statistical source*		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2012	489700	2012	489800	Source: http://www.worldbank.org/en/country/poland

Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (*Millions U.S. Dollars, stock positions)*	2012	10723	2012	14,178	Source: BEA • Bureau of Economic Analysis • Balance of Payments and Direct Investment Position Data • U.S. Direct Investment Position Abroad on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Host country's FDI in the United States (*Millions U.S. Dollars, stock positions)*	2012	2020	2012	2000	Source: Eurostat
Total inbound stock of FDI as % host GDP (***calculate***)	2012	48	2012	47	Source: Eurostat

* (GDP) Central Statistical Office (http://stat.gov.pl/en/poland-macroeconomic-indicators/), (FDI) National Bank of Poland.

The discrepancy in "U.S. FDI in partner country" is likely due to the National Bank of Poland (NBP) methodology of classifying origin of capital. For example, if a U.S. company invests in Poland through their German subsidiary, the FDI will be classified as German, not U.S., by National Bank of Poland methodology.

TABLE 3: Sources and Destination of FDI
Poland, 2012

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	235,113	100%	Total Outward	57,364	100%
Germany	35,476	15%	Luxembourg	12,493	22%
Netherlands	34,669	15%	Cyprus	5,870	10%
France	28,936	12%	United Kingdom	5,799	10%
Luxembourg	24,035	10%	Netherlands	4,253	7%

Italy	13,167	6%	Switzerland	4,149	7%
"0" reflects amounts rounded to +/- USD 500,000.					

Source: http://cdis.imf.org
Results of table 3 are consistent with NBP data.

TABLE 4: Sources of Portfolio Investment
Poland, 2012

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
World	13,232	100%	World	9,198	100%	World	4,032	100%
Luxembourg	3,950	30%	Luxembourg	3,216	35%	Luxembourg	734	18%
Austria	805	6%	Austria	691	8%	Sweden	361	9%
Netherlands	731	6%	Turkey	574	6%	Germany	344	9%
Hungary	702	5%	Netherlands	467	5%	Hungary	318	8%
Turkey	609	5%	Hungary	383	4%	Romania	267	7%

Source: http://cpis.imf.org.
Results of table 4 are consistent with NBP data.

19. Contact Point at Post for Public Inquiries

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