INVESTMENT INCENTIVES IN COUNTRIES OF THE VISEGRAD GROUP

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The aim of this paper is to analyse the structure of the public investment aid within the Visegrád Group countries, i.e. in four Central European economies – the Czech Republic, the Slovak Republic, Hungary and the Republic of Poland (V4). The evaluation of the investment incentives is based on pre-selected criteria: the definition of the investment incentive and its legal regulation; the investment support structure and investment conditions. Based on a comparative analysis, it was found that Hungary uses the most different structure of investment incentives in an attempt to dynamically change the economy structure towards sectors with high added value. All countries strive to reduce regional disparities and support the development of peripheral areas, but the setting of investment incentives in the Czech Republic does not correspond to the current situation on the local labour market.

Keywords: Investment, Investment Incentives, regulations, Visegrad countries,

1 Introduction

The granting of public support – investment incentives – is often associated with support of the inflow of foreign direct investment (FDI) into the host economy, although domestic economic entities may also be applicants. At present, public support is seen as one of the major localisation factors of long-term capital inflows into the host economy. In this case, investment incentives represent a factor reducing the lack of domestic capital generation. On the other hand, they cause so-called incentive redistribution from companies having no relief or not drawing any kind of public support, towards their recipients. For this reason, investment incentives cause significant market distortions. The positive as well as negative impact of investment incentives is multiplied if an investment incentives factor attracts a capital-driven investor to the host economy. That is the reason why the opinions of the professional public on this topic significantly differ.

The effort of this paper is to contribute its finding and conclusions to the ongoing discussion in the broader regional context of the Visegrád Group countries in order to better evaluate and understand the benefits and effectiveness of the highly debateable investment incentives.

2 Literature review

FDI is a phenomenon that has been becoming increasingly vigorous in today's globalised world and affects the host economy on many levels (Zamrazilová, 2008). Blomström and Kokko (1997) define the following basic motivation factors for placing FDI in a selected host region:

- Ownership – a bargain purchase (e.g. production capacity abroad which results in the unit price being significantly lower than if it was acquired in the company's home country.
- Localisation – advantageous geographical location (e.g. with regard to reduction of transport costs and possibility of expansion to new markets).
- Business barriers – solving export-related problems (expensive licensing). The basic aim is to move production inside a certain territory protected by customs and non-tariff measures.
- Local benefits – lower tax burden, available raw materials or cheap labour.

In contrast, Schwarz (2007) divides the factors that may arouse investors' interest in locating their investment in a particular country, into natural (natural conditions, location, wage level, language), and legislative (taxes, subsidies, regulation) factors being independent of each other.

Besides the above-mentioned motivation factors which should be reflected in the reduction of production costs, there are also investment incentives which influence the investment decisions of companies and thus represent an integral part of FDI issues. The incentives are special benefits provided usually by the government or the unit of self-government to specific economic entities in order to support the volume of their investment in a particular territory (e.g. areas with high unemployment, or low living or economic levels). These benefits may be provided directly or indirectly. Direct support includes, for example, subsidies for the acquisition of fixed assets; indirect support includes, for example, tax reliefs (Srholec, 2004).

Schwarz (2007) defines investment incentives as selective state aid to selected investors that meet certain criteria. Thanks to the incentives IP, two groups of entities can be distinguished in the economy – investors being subject to general rules, and investors who benefit from investment incentives. In terms of both the economic impact and the burden of other taxpayers, it is irrelevant whether the incentive is in the form of a direct grant or a tax relief.

The intensity of support that can be considered, among other things, one of the tools of competition between countries, is also important for economic entities that do not achieve it, as investment incentives can act as a motivator of investment (a stimulating factor for companies granted investment incentives) but on the other hand, it can also repulse them (a deterrent factor for companies that do not receive the support). The more generous investment incentives are, the greater disadvantage it is for a company that did not meet the conditions and did not receive the support. It is likely that such a company will not invest in the host country. The increasing competition among countries in the area of investment incentives and the effort to attract large investments can completely eliminate smaller investments (Schwarz, 2007).

Although the purpose of investment incentives is quite clear – to influence companies' decisions, convince them to locate their investments and to attract them to a particular territory, the question is whether this is really happening. In particular, many American critics argue that investment incentives (including tax reliefs) play an absolutely minimal role in companies' investment decisions and their expansion into foreign markets (Thomas, 2007).

This statement is supported by, for example, LeRoy (2005), who states that the tax burden accounts for only about 1.2% of the company's costs (an empirical survey conducted on a sample of American companies), which is in comparison to other costs (labour, material, marketing, overheads, transport, etc.) absolutely marginal.

According to Zamrazilová (2010), all interventions into the market mechanism are dangerous, i.e. also the granting of investment incentives to foreign investors, which, in her opinion, have greatly distorted the supply side of the Czech economy. Investment incentives have been concentrated in the highly pro-cyclical sectors (automotive, electrical engineering), which dynamically support economic growth if the economy is doing well, but are even more aggressive and damaging to the economy at times when it is not doing well, in periods of crises.

The risk of market distortion is also highlighted by Schwarz (2007), who believes that investment incentives undermine the competitiveness of small and medium-sized enterprises (SMEs), as they are mainly focused and support large (foreign) companies, which then benefit at the expense of SMEs. Investment incentives are focused on creating new jobs, however, in the long run it is possible to evaluate the extent to which the beneficiaries were able to reduce the local unemployment rates or if they rather headhunt employees from

other companies of the same or another sector, resulting in an unchanged unemployment rate.

Blažek (2019) points out that the aim of investment incentives granting is not only to support the FDI inflow into the host regions, but the public interest is also the realisation and subsequent use of positive effects resulting from the localisation of FDI and foreign presence in the regions. One of these effects is the development of innovation activities and the implementation of local businesses in international business networks.

According to the theory of global production networks, the key actor is the state, which by means of appropriately chosen institutional tools can create a suitable environment for the creation of global production networks and the development of the position of individual entities – multinational corporations (MNCs) including their customers and suppliers (Blažek, 2018).

Blomström and Kokko (2003) focus on the above-mentioned positive spillovers, which they consider to be an important reason for using investment incentives, but conclude that these effects do not occur automatically but require a minimum level of technological maturity and workforce qualification in a home business. Therefore, investment incentives should not target only large foreign companies but they should also focus also on domestic businesses to be better prepared to absorb and exploit potential spillovers.

Kotíková (2019) adds that a significant multiplication of the positive benefits of FDI may occur in a situation where domestic companies operating in the host business environment are able to both take on technology transfer and develop their own innovation activities.

While most studies have dealt with different FDI effects on different sectors within a single host country, Blomström et al. (1994) examined the relationship between spillovers and the host country's economic development in a comprehensive study involving 101 national economies. The study suggests that spillovers are most often concentrated in middle-income developing countries, while no spillovers have been reported to occur in the poorest developing countries. FDI represents a potentially significant source of spillovers and an instrument of economic development, but requires a certain minimal level of maturity and infrastructure in the host environment to effectively absorb these effects.

According to Schwarz (2007), investment incentives have become a popular government measure, mainly because it allows to emphasise the government merit and its significant contribution, inter alia, to economic growth and growth in payments collected on social and health insurance and, conversely, decline in unemployment and reduction in unemployment benefits. Therefore, investment incentives can be described as an effective marketing tool by which the government supports selected economic entities and creates the impression that it supports competitiveness and entrepreneurship in its territory.

However, in addition to the positive effects, granting of investment incentives is also subject to criticism, as it is a tool that affects market allocation of resources and thus distorts the market. Therefore, literature often argues whether this kind of public support is an effective or inefficient tool and whether its influence on a market mechanism is desirable.

For example, Tomšík (2006) also considers it not to be a very effective tool that leads to sub-optimal allocation of resources. According to him, investment incentives are a kind of compensation to an investor who, in order to receive the incentive, must invest more capital or employ more workers than he wanted, etc., which ultimately reduces his profit. From this perspective, investment incentives can be seen as a kind of additional tax imposed on foreign investors, which has no positive impact on economic development.

Blomström (2002) mentions the fact which represents, in his opinion, the most fundamental argument against investment incentives. It is (as mentioned above) that spillovers do not occur automatically with the arrival of FDI in the host country, but largely depend on the conditions and capabilities of domestic companies, which must be able and willing to learn from foreign companies presented in the region, and also invest in their own new technology.

Other pitfalls associated with investment incentives and the reason why they may not be economically efficient include the risk of attracting FDI elsewhere than they would have been placed without incentives. If the unfavourable conditions for which a foreign investor would not have come to the area, if he had not been motivated by the IP, still persist after the incentive expires, there is a high risk that the investor will leave and invest somewhere else (UN, 2004).

The above-mentioned risk of temporary activity or willingness of the company to remain in the territory is confirmed also by Keller (2006), according to whom, only positives are emphasised when assessing the efficiency and impacts of investment incentives on the Czech economy, but certain obvious risks associated with the presence of MNCs in the host region are concealed.

Also, the increasing asymmetry between rich and poor countries is dangerous – it is much more difficult for poor countries to provide interesting investment incentives because rich countries can afford to offer more attractive conditions, and so they get the investment at the expense of the poorer country. When fighting for the investment with the richer country, the poorer country can be pushed into offering overly expensive investment incentives (UN, 2004).

Investment incentives are also criticized by Keller (2006), who thinks that they are particularly willing to help MNCs that are trying to relocate their production to countries with cheap labour and, on the contrary, sell their products in countries with high purchasing power. Through incentives, MNCs externalise their costs, i.e. e.g. subsidising workforce (retraining), building infrastructure or selling land for a symbolic price.

Also, the creation of artificial tax havens for investors, which directly reduce the flow of means to the treasury and drain the funds that might otherwise be used in the social sphere, has a detrimental effect on public budgets. Even through a popular argument promoting investment incentives is their positive impact on employment, they usually do not create enough new jobs, so the unemployment rate is still rising or stagnates and the recipients work as a stabiliser, as it must be taken into account that the investment incentives recipients create new jobs that are logically very attractive to local workers. Due to savings and the compensation of costs granted by public support, these newly created jobs are attractive and they are often occupied by workers from other, local businesses. Again, another level of demand redistribution can be seen. The total number of new jobs created in the businesses supported by investment incentives is not automatically equal to the reduced number of unemployed people. Therefore, it is necessary to undervalue the impact of investment incentives.

Schwarz (2007), who, in his study on investment incentives in the Czech Republic, analysed, among other things, the cost-effectiveness of investment incentives, concluded that while investment incentives contributed to reducing unemployment, it is a very costly tool because the cost of creating one job by means of investment incentives averages around CZK 1.6 million, but in the case of some companies, they reach the amount of up to CZK 15 million. The highest costs per one newly created job were reported in the Karlovy Vary and Zlín Regions (CZK 3.4 and 3 million), while the lowest ones in the Hradec Králové Region and Prague (CZK 0.8 and 1 million).

Moreover, the level of promised investment incentives does not correspond to the number of new jobs promised. The

inefficiency of the investment incentives system is intensified by the fact that thanks to investment incentives, the most new jobs have been created in the Central Bohemian Region, which has been reporting a very low unemployment rate in the long term, and in this respect it is a completely problem-free region. There is a lack of a tool that would motivate investors to allocate their investments to regions with higher unemployment rates – diversification of public support seems insufficient.

3 The system of investment incentives in the Czech republic

The issue of investment incentives in the Czech Republic is currently regulated by Act No. 72/2000, on investment incentives, which follows the European Union's regulation for providing regional investment support and employment and education support. The main objective of the provided investment incentives is to support economic development and create new jobs in the Czech Republic.

According to the law, investment incentives in the Czech Republic include the following:

- income tax discount,
- transfer of land including related infrastructure at a discounted price,
- material support for the creation of new jobs,
- material support for retraining or training of employees,
- material support for the acquisition of tangible and intangible fixed assets for strategic investment,
- exemption from real estate tax in preferential industrial zones (i.e. government-approved industrial zones designed to promote balanced and dynamic economic development in the Czech Republic).

An entrepreneur (either a natural or legal person) must meet the following general conditions in order to be supported by investment incentives:

- realisation of the investment project in the Czech Republic,
- environmental friendliness of activities, constructions or equipment,
- commencement of works related to the realisation of the investment project not before the date of submission of the intent to obtain the incentive.

The above-mentioned general conditions must be fulfilled within three years after issuing the decision promising the incentive. Other conditions vary depending on the area of the investment action. The law distinguishes between investment into production (manufacturing industry), technology centres and centres of strategic services, within which support has been extended also to data centres and call centres (MPO, 2016).

The investment in production expects investing into an area of the manufacturing industry, creation and then filling of at least 20 new jobs and commencement of production. This kind of investment also assumes the acquisition of tangible and intangible assets of at least CZK 100 million, with at least half of this amount being spent on the acquisition of machinery for production purposes, which was purchased at market price and was not produced more than 2 years before its acquisition.

The above-mentioned amount of CZK 100 million can be reduced to a half if the investment project in production is realised in an area with an unemployment rate that is min. 50% higher than the average unemployment rate, in the territory of the state-supported regions or in preferential industrial zones (Ostrava - Mošnov, Most - Joseph, Holešov).

Investment in technology centres also assumes the creation and filling of at least 20 new jobs and the acquisition of tangible and intangible assets. However, in this case, the limit is set at only CZK 10 million, with at least half of the amount being spent on the acquisition of machinery (see the conditions above).

Investment in centres of strategic services assumes creating a minimum number of new jobs, as follows:

- min. 20 new jobs in case of software creation centres and data centres,
- min. 70 new jobs in case of repair centres and centres of shared services,
- min. 500 new jobs in case of customer support centres.

The permissible intensity of public support must not exceed 25% in all cohesion regions of the Czech Republic (Prague, the capital city, is the only exception, with zero investment aid). The current system of investment incentives favours SMEs – the permissible level of public support is increased by 20% for small enterprises and by 10% for medium-sized enterprises.

As of 31 March 2019, a total of 1,221 investment projects worth EUR 31,688.62 million were supported in the Czech Republic. These supported projects created 194,832 new jobs. Table 1 below provides an overview of five countries whose business entities implemented the largest amount of investment projects supported by investment incentives in the Czech Republic (sorted in descending order by number of projects, total investment value and number of newly created jobs).

Table 1: Overview of promised investment incentives (as of 31 March 2019)

Country of origin	Number of projects	Value of investment (in mil. EUR)	Newly created jobs
Czech Rep.	660	13,189.82	60,772
Germany	176	4,888.04	38,475
Netherlands	58	2,458.30	24,192
Japan	51	2,027.69	15,619
USA	35	726.65	6,327
Total	1,221	31,688.62	194,832

Source: own construction based on CzechInvest, 2019

The advantage of investment incentives in the Czech Republic is that they take into account both MNCs and SMEs. Current setting of investment incentives is still trying to reduce the unemployment rate, more precisely a macroeconomic problem that the Czech Republic had been facing for many years.

However, at present, the value of this macroeconomic indicator is reaching its historical low – according to Eurostat, the general unemployment rate in the Czech Republic fell to 2.1% in December 2018 (the EU average at that time was 6.6%, with 70% of the EU countries below this average) and thus reached its lowest level since January 2000.

In the rating of EU countries based on the value of unemployment rate, Germany, Poland and Hungary achieved worse results than the Czech Republic. Therefore, there is a manipulation space for investment incentives modifications in favour of high-tech industries with higher levels of robotics and automation, where new jobs are created primarily for highly skilled workers (BusinessInfo, 2019).

However, such a modification of the investment incentives setting would put pressure on the disproportion between the offer of educational fields and the demand on the labour market, non-reflection of which would logically be negatively reflected in the macroeconomic indicators of the labour market. Therefore, it is clear that the adaptation and legislative changes related to the investment incentives concept should be reflected in the discussion with the Ministry of Education and other key players in the education system.

4 The system of investment incentives in the Slovak republic

The investment support in Slovakia is regulated by Act No. 57/2018, on regional investment aid. The beneficiary of this investment aid may be a natural or legal person established for the purpose of doing business that has its registered office

or place of business in the Slovak Republic and is registered in a trade or business register. Through investment incentives granting, the Slovak government is trying to attract significant investment and create hundreds of new jobs mainly in less developed regions.

According to the law, investment incentives in Slovakia have the following forms:

- subsidies for the acquisition of tangible and intangible assets,
- income tax discount,
- contribution to newly created jobs,
- transfer of immovable property or its lease at a price below its actual value (or the value being set by an expert opinion).

The permissible intensity of public support in three Slovakian regions is set at 25% of eligible costs and in four regions at 35%. Like Prague in the Czech Republic, in the case of Slovakia, the Bratislava Region is completely excluded from investment aid.

Moreover, also in the case of Slovakia, there are some supported areas defined, into which the investor has to invest in order to be allowed to apply for public support. These areas include projects aimed at industrial production, technology centres, a combination of both of those, or at business service centres.

In the case of investment in industrial production, the minimum amount of investment, the share of new technological equipment in the total costs, and the number of newly created jobs, which depends on the unemployment rate in a particular district, are set.

Also, as in the case in the Czech Republic, it is possible to observe favouring of SMEs – if the applicant for an investment incentive is an SME, the minimum value of the investment and the requirement for a minimum number of newly created jobs are halved.

If the investment goes to technology centres, there is again a requirement for a minimum amount of investment (starting at EUR 100,000) and the creation of a minimum number of new jobs (ranging from 10 to 50). In addition, there is a requirement for a minimum multiple of wages to be paid to new employees. The same conditions must be met when investing in business service centres.

5 The system of investment incentives in Hungary

Also in Hungary, investors can use a wide range of public support forms. By means of investment incentives, the Hungarian government seeks, in particular, to streamline business processes and the competitiveness of SMEs. For this purpose, it provides returnable and non-returnable investment incentives designed to facilitate and attract FDI to Hungary, as well as to boost the reinvestment of domestic businesses. The main types of investment incentives include the following:

- tax incentives,
- cash subsidies (from EU funds or from the Hungarian government),
- low-interest loans,
- obtaining land for free or at a discounted price.

The advantage of income tax relief can be used for a period of 13 years starting after the completion of the investment, and for each tax period can reach the amount of up to 80% of the payable corporate tax (state aid ceilings in each region need to be taken into account). An application for this investment incentive must be submitted to the Ministry of Finance before the investment starts, but if the investment exceeds EUR 100 million, its support is subject to the government as well.

Also in the case of Hungary, obtaining the tax incentive requires meeting one of the following two conditions:

- min. value of the investment is EUR 11.3 million and min. 50 new jobs are created,
- min. value of the investment is EUR 3.7 million and min. 25 new jobs are created – only in the so-called "preferred regions".

The second of the above-mentioned conditions is almost identical to the one that concerns the investment in production in the case of the Czech Republic, where it is necessary to create min. 20 new jobs and the value of the investments must be at least CZK 100 million (i.e. a little less than EUR 4 million).

In addition, the Hungarian government provides an individual cash subsidy (VIP cash subsidy) based on the value of assets or the number of newly created jobs. The conditions vary depending on the region to which the investment is oriented and can be divided into the following three groups:

- min. value of the investment is EUR 5 million and min. 50 new jobs are created (valid in three most preferred regions),
- min. value of the investment is EUR 10 million and min. 50 new jobs are created (valid in 12 preferred regions),
- min. value of the investment is EUR 20 million and min. 100 new jobs are created (valid in four developed regions).

In order to make Hungary one of the European innovation centres, another form of public support focused on technology-intensive investments was introduced in 2017. Basically, it is a VIP cash subsidy whose role is to support capacity expansion and the introduction of technologically demanding investments without the commitment of the investor to create new jobs.

Companies that currently employ at least 250 people in Hungary and are considering a technology-intensive investment can gain a VIP cash grant of 3/4 of the maximum state aid provided in the region. However, in this case the investor must invest at least EUR 20 million and achieve at least a 30% increase in sales and/or labour costs within four years.

Another form of Hungarian public support is focused on supporting projects within the research and development (R&D) activities of large enterprises and the establishment of R&D centres. The maximum state aid intensity in this case is 25% of the value of the investment across the whole country, which must reach at least the amount of EUR 3 million (invested in R&D projects) over a period of 1 – 3 years during which the number of R&D staff must increase at least by 25 employees. Eligible costs may include the cost of the realized project, staff costs, depreciation, or material costs.

The maximum intensity of public support is more markedly different from the previous two V4 countries, ranging from 20 to 50% of eligible costs (20, 25, 35 and 50%). However, also in the case of Hungary, there are some areas which are excluded from the investment support – some parts of central Hungary as they are closest to the European average in terms of economic development.

Moreover, the level of public support decreases as the value of the investment increases, i.e. an investment worth over EUR 50 million. For an investment between EUR 50 million and EUR 100 million, only half of the above-mentioned rates can be applied; an investment exceeding EUR 100 million is subject to about one-third of the rates.

The basic objective of the above-mentioned and described forms of investment incentives is to transform the Hungarian economy from "made in Hungary" to "invented in Hungary".

6 The system of investment incentives in Poland

Poland, the last of the Visegrád Group countries, also provides investors with various forms of public support. The Act of 10 May 2018, on support for new investments, amends the instruments of tax relief that are newly available across the whole Polish territory for companies making new investments, regardless of whether it is a public or private one. For the purposes of state aid, the term "new investment" means the following:

- setting up a new business,
- increasing the production potential of an existing business,
- diversification of production by introducing new products,
- fundamental change in the existing production process of an existing enterprise.

In Poland, as well as in other V4 countries with which Poland is competing for new investment projects, income tax relief is clearly the most widespread and among investors the most popular tool used in the field of public support. Reducing the tax burden is thus a clear incentive to attract new investment projects to the Polish territory.

The maximum tax relief in Poland ranges from 10 to 50% of eligible costs, while 50% tax relief can be achieved in four regions in the east/northeast of Poland, 25% relief in three regions, and 35% relief in the rest.

As in the case of the Czech Republic and Slovakia, also in Poland SMEs are favoured – in their case the tax advantage may be increased by 10 or 20%. On the contrary, unlike the remaining three V4 countries, the tax relief also applies to investments made in Warsaw, the capital city, and its surroundings (10%).

Eligible costs may include the acquisition cost of land, costs associated with the purchase, development or upgrading of fixed assets (e.g. machinery), costs related to the acquisition of intangible assets (e.g. software, licenses, etc.), or two-year labour costs of newly recruited employees.

The period for which the above-mentioned tax relief is granted depends on the intensity of public support in the area and is the same for all companies regardless of their economic activity or size. It is a predetermined period of time ranging from 10 to 15 years. Tax reliefs of 10, 20 and 25% are usually granted for 10 years, 35% reliefs for 12 years and 50% reliefs for 15 years.

The investment incentive applicant's investment must meet and is evaluated according to certain quantitative and qualitative criteria. In Poland, there is no requirement to create a certain minimum number of new jobs, but the quantitative criterion is the minimum amount of investment that is derived from the unemployment rate in the area (the higher the unemployment rate is, the lower the required minimum of invested costs are) and the size of the enterprise. The following table 2 gives a detailed description of the quantitative criteria.

Table 2: Polish investment incentives – quantitative criteria

Unemployment rate in the district	Minimum amount of eligible costs (in million PLN)			
	Large enterprise	Medium enterprise	Small enterprise R&D projects Business services sector	Micro enterprise
< 60% of national average	100	20	5	2
60 – 100%	80	16	4	1.6
100 – 130%	60	12	3	1.2
130 – 160%	40	8	2	0.8
160 – 200%	20	4	1	0.4
200 – 250%	15	3	0.75	0.3
> 250%	10	2	0.5	0.2

Source: own construction based on Polish Investment & Trade Agency, 2019

Among the monitored qualitative criteria, which may favour the investor, it is possible to mention e.g. performing own activities in the area of R&D, doing business in a certain sector (e.g. quality food, hygiene products, medicines and medical products, telecommunication and information services, means of transport, etc.), export orientation (achieving a certain volume of export), employee care programmes, etc.

7 Conclusion

It can be stated from the performed comparative analysis that public support is quite similar in all four Visegrád Group countries. This conclusion stems from the geographical position (foreign investors perceive the V4 countries as a single market, or the region of Central Europe) and also from a common historical development. However, it is clear that Hungary and Poland are more focused on support of R&D (compared to the other two Visegrád Group countries), and therefore have a comparative advantage in this area. At present, investment incentives in the Czech Republic are primarily focused on creating new jobs.

However, it is questionable whether this setting can be considered effective due to current labour market development, where the unemployment rate is well below its natural level and the Czech Republic is the country with the lowest unemployment rate within the EU.

Compared to the other three Visegrád Group countries, the Czech Republic is losing in the area of support for newly created jobs, as Slovakia, Poland and Hungary offer the possibility to include part-time and seasonal workers (in full-time equivalents) to some extent (KMPG, 2018).

All the economies are trying to reduce regional disparities by earmarking the most economically successful regions out of regional granting, or favouring peripheral regions. Thus, investment incentives help to disperse investment activities and it is a matter of further research to determine whether this dispersion reduces or does not reduce the final benefits of localised investments (e.g. reducing spillover effects due to the higher technology gap between domestic and investment incentives recipients, which can be expected in peripheral areas).

Regarding the investment incentives system, the Czech Republic, the Slovak Republic and the Republic of Poland favour conditions for SMEs. Hungary focuses on attracting strong foreign investors in the field of innovations. In general, Hungary has the most distinctive investment incentives system, including, in addition to fiscal and material support, a form of returnable low-interest loans. Hungary's effort to transform its economy from “made in Hungary” to “invented in Hungary” is enhanced by a special form of investment incentives – VIP cash subsidy without a commitment of the investor to create new jobs.

Similarly, Poland has no investment conditions associated with min. number of new jobs created, and it is also the economy which provides the longest tax holidays (15 years) to the investors. Hungary provides the second longest ones (13 years).

Slovakia, in addition to the standard investment conditions such as the size of the investment and the nature of the industry, resorted to the requirement for the min. amount (multiple) of wages. This step creates constant pressure to build new technology centres, where companies can offer above-standard financial rewards to their employees (in contrast to production

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Primary Paper Section: A

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