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PhD studies

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Introduction

This paper is intended as a contribution to the institutional analysis of foreign direct investment (FDI) in construction industry. Unfortunately, institutions have yet not been widely recognised as an important analytical category of research conducted in this field. The main aim of this paper is to explore the significant role of informal institutions in the direct activity of foreign enterprises operating in the construction market in the Commonwealth of Independent States (CIS).

The paper consists of five parts and closing remarks. The core analysis devoted to institutional obstacles and methods used to overcome them selected upon business practice experience will be preceded by a theoretical background and a short overview on FDI in the region.

Theoretical background

There is no single and commonly accepted definition of FDI. According to the International Monetary Fund, 'FDI is a category of international investment that reflects the objective of a resident in one economy (the direct investor) obtaining a lasting interest in an enterprise resident in another economy (the direct investment enterprise). The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise, and a significant degree of influence by the investor on the management of the enterprise'². The FDI definition provided by the Organisation for Economic Co-operation and Development also points out that direct investment 'involves both the initial transaction between the two entities and all subsequent capital transactions between them and among affiliated enterprises, both incorporated and unincorporated'³. The word 'direct' means that a foreign investor (contrary to a portfolio investor who does not have direct influence) takes an active position – in other words, he may influence the operations of his company abroad⁴. In accordance with the statistical methodology a direct investor holds ten per cent or more shares in the company. This investment threshold should be treated flexibly, if there are other factors characterising relations typical for FDI, such as participation in the decision making process⁵.

As 'in the process of globalisation, informality seems to increase rather than decrease'⁶, FDI is influenced by informal institutions. Therefore, studying the link between institutions and FDI seems to be an important issue. Among different streams of academic theories, new institutional economics (NIE) belongs to the group of the major approaches presently applied that may serve this purpose.

North, the famous representative of the NIE theory, defines institutions as the rules of the game that govern the way, in which human beings structure their (commercial) interactions. He divides them into three categories: formal rules, informal rules and enforcement mechanisms⁷. For the purpose of our analysis, the second category is the most interesting one. According to North, informal constraints are 'sanctions, taboos, customs, traditions, and codes of conduct'. He describes the formal institutions as 'constitutions, laws, property rights'⁸. Helmke and Levitsky point to that the term 'informal institution' in the world literature is usually used 'to characterise aspects of traditional culture, personal networks, clientelism, corruption, clan and mafia organizations, civil society, and a wide variety of legislative, judicial, and bureaucratic norms'⁹. To provide a clear distinction between formal and informal institutions, Helmke and Levitsky define informal institutions as socially shared rules, usually unwritten, that are created, communicated, and enforced outside officially sanctioned channels, contrary to formal institutions, which they understand as rules and procedures, that are created, communicated and enforced through channels that are widely accepted as official¹⁰. Benassy-Quere, Coupet and Mayer note that the quality of institutions may matter in attracting FDI for several reasons¹¹:

- by raising productivity prospects, good governance infrastructure can attract foreign investors
- poor institutions can induce additional costs of FDI
- due to high sunk cost, FDI is particularly vulnerable to any form of uncertainty including uncertainty stemming from low government efficiency, policy reversals, graft or weak enforcement of property rights and of the legal system in general.

Conditions of business activity are closely related to the quality of formal institutions, particularly the juridical system. The more efficient it is, the easier management of enterprises becomes. Strong formal institutions are particularly important for small firms¹². Contrary, weak formal institutions create opportunity for strengthening the role of the informal ones. Informal institutions change very slowly – over centuries or millennia¹³.

FDI and institutions: a comparative analysis of the CIS and EU post-communist countries

FDI in the region of the former Soviet bloc is quite a new phenomenon, as inflows of foreign capital to this part of the world appear on a mass scale only after dissolution of the central planning economic system and democratic changes that began in the late 1980s. In 2008, inward FDI inflows to the CIS amounted to USD 103.48 billion, a new

record, while in the former Soviet bloc countries – members of the European Union (EU-9)¹⁴ – they fell compared with the previous year (see Figure 1). This level of inward FDI to the CIS resulted from the fact that foreign investors were motivated by 'a desire to gain access to large and growing local consumer markets' (e.g. Russian Federation and Ukraine) and to benefit from business opportunities arising from the liberalization of selected industries¹⁵ at that time. While FDI inflows to the CIS rose for a few years running, according to UNCTAD¹⁶, in 2009 they will decline, as a result of the global economic crisis.

An analysis of FDI stock in the CIS seems to be more useful as it shows the role of foreign capital in the region. In 2008, FDI stock in the CIS reached nearly USD 355 billion, a result that was much lower than expected. While the CIS population was about 2.7 times bigger than the population of the EU-9 (about 100 million inhabitants), its FDI stock accounted for only 65 per cent of the level of its European neighbours (see Figure 2 below). In 2008, the FDI stock of Russia – the biggest country in the world by territory – accounted for only 132 per cent of the FDI stock of Poland. The highest FDI stock among the CIS countries was recorded in Russia, Kazakhstan and Ukraine. Russia and Kazakhstan had also the most impressive FDI stock results in per capita terms, however, their results were poor in comparison to the EU-9 countries (see Figure 3). The relatively weak performance of the CIS countries in terms of attracting FDI was mainly due to institutional obstacles existing in the region. According to Dubrovskiy and Ustenko, the major barriers to FDI in the region were: 'macroeconomic instability, political uncertainty, corruption, under-developed financial sectors, and inadequate protection of property rights'¹⁷.

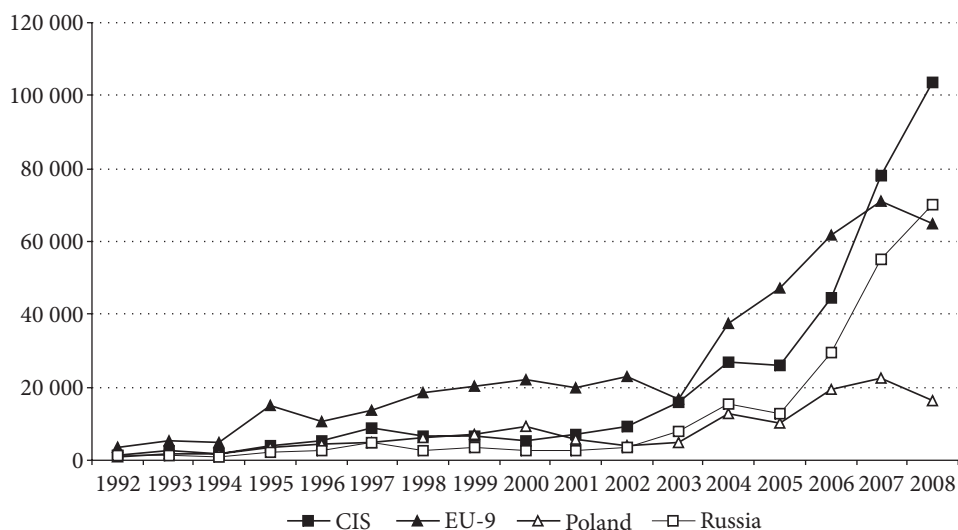


Figure 1. FDI inflows to CIS in 1992–2008 – comparative analysis with EU eastern countries, EU-9 (USD, million)

Source: author's calculations based on CIA, UNCTAD statistical databases

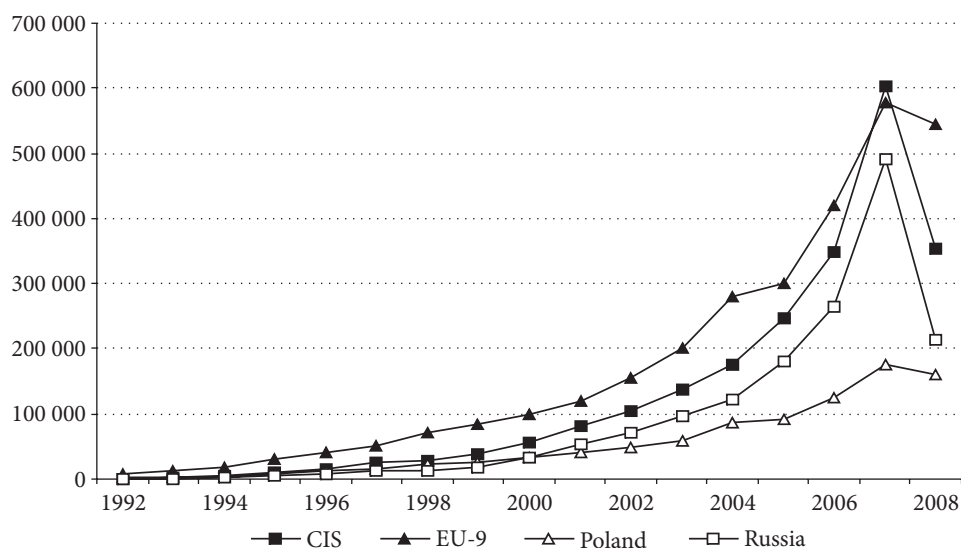
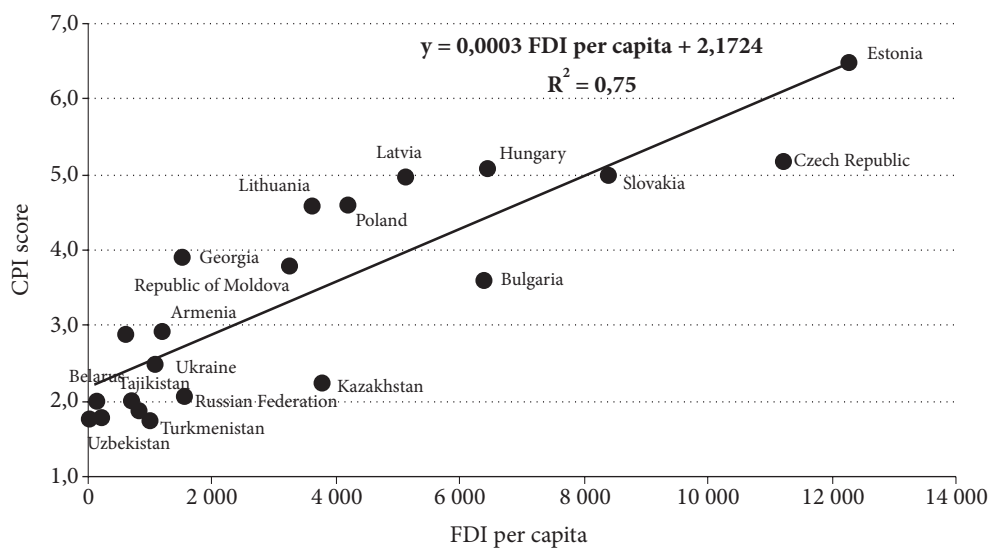


Figure 2. FDI stock in 1992–2008 in CIS – a comparative analysis with EU eastern countries, EU-9 (USD, million)

Source: author's calculations based on CIA, UNCTAD statistical databases



Pearson's correlation coefficient = 0.87

Figure 3. FDI stock per capita and corruption in CIS and EU-9 countries in 2008

Source: author's calculations based on CIA, UNCTAD, TI statistical databases

If we compare the level of FDI stock per capita and the Transparency International Corruption Perceptions Index (CPI) 2008 score¹⁸ for post-communist countries, we will find a strong correlation coefficient (0.87) between these two categories. In the EU-9, where FDI per capita is higher than in the CIS, corruption is also less of a problem. So, we can say that better institutions existing in the former 'near abroad' than in the CIS help this region to attract foreign capital.

The need for discussion on construction industry and adoption of institutional approach

Construction may be divided into three sectors. The first one includes quarries, the other one – machinery and construction materials, and the third one – engineering and architecture consulting companies¹⁹. Even if it has quite a poor image²⁰, a discussion on this branch of the national economy might be important for several reasons. They fall into two main categories: the first one can be perceived as permanent, while the other one is of a short-term nature, and relates to the world economic crisis.

Irrespective of the economic situation, all of us are connected to construction industry by being simply property owners (see Table 1) or taxpayers, for public infrastructure construction works are usually financed out of public budgets. We should be therefore aware how our money is spent in practice. The way, in which the construction market is functioning influences the costs of buildings, and finally the volume of our expenditures.

Construction is set within an environment that is affected by the strong need to protect the fundamental rights of human beings – mainly public health and environmental integration²¹. Consequently, construction activity has to be regulated by law, imposed by the state and its administration from the central to municipal levels. This is decisive for the important role played by formal institutions in this industry.

The complexity of the construction process is very often regarded by an administration as a good excuse for proclaiming complicated legal acts. Following Bossak, the state and other public institutions should serve society and promote the economic growth, but the excess of regulations has a negative influence on the economic activity²². The heavy regulation of an industry both at the national and local level, with requirements for permits at every step of the way, makes it relatively easy for officials to extract bribes. Construction is highly prone to the influence of informal institutions, e.g. corruption, due to²³:

- the huge project costs that make it easier to hide bribes and inflated claims,
- the fact that many construction projects are unique and costs are difficult to compare,
- an enormous dependence on individuals, who certify the correctness of work done before it is concealed,
- difficulties in checking the required standards.

The role of informal institutions in construction industry is also strengthened by the phenomenon of globalisation, which helps to hide pathologies like corruption²⁴. Informal institutions lead to higher transactional costs. The construction industry is characterised by the extremely high volume of transactional costs, mainly due to corruption. According to the annual report by Transparency International, the construction industry is one of the most corrupted business sectors at all.

Table 1. Cluster framework in construction industry

Regulatory Framework Activities: technical, economic, environmental and social regulation Actors: international organisations (eg. European Union), state and local government standards: building licensing authorities, companies, industry and professional associations		
Supply Network Activities: materials, components, equipment manufacturers & services Actors: building materials & product manufacturers, construction trades wholesalers & retailers	Project-based Firms Activities: design, engineering integration, construction/ assembly Actors: consultants, designers, contractors, speciality contractors, project managers	Property Activities: commissioning and using constructed products and construction services, Actors: financial sector, real estate, <div>building owners</div> and managers
Technical Support Infrastructure Activities: long-term technical development and support Actors: international organisations, state and local governments, education sector, R&D institutions, industry and professional associations		

Source: F. El-Higzi, (2002), *Examining international trade flows for Australian construction companies*, “International Journal of Social Economics”, Vol. 29, No 6, p. 499.

However, the extent of bribes paid on construction projects differs from country to country and from project to project. In many countries there are known ‘price schedules’ specifying the bribes ‘required’. The practice of bribing to obtain orders is most common in case of international infrastructure projects²⁵.

As mentioned before, the discussion on the construction industry might be also interesting through the perspective of the current global economic situation. Indeed, the current global economic crisis has its roots in the real estate market, which is nothing but a visible product of construction. During difficult times of the economic crisis, construction that is a labour-intensive activity, with the capacity to provide extensive employment with very little investment²⁶ may however, to some extent, serve solving the problem of high unemployment rates.

Nevertheless, the day-to-day operations in the construction industry seem to be an interesting issue to be scrutinised. Ball points to the limited attention the world literature pays to understanding actual organisations of construction, particularly the construction

companies and the ways they operate in the market context. He emphasizes that this issue is usually 'left to the financial pages of newspapers and sometimes to business histories rather than being subject to much in-depth theoretical and empirical scrutiny'²⁷.

Institutions as an outstanding issue in the CIS construction market – failures by Swedish SKANSKA and Polish Atlas

The author's professional experience allows a conclusion that the Commonwealth of Independent States construction market can be a fascinating subject of analysis when assessing the impact of informal institutions on FDI. The institutional conditions of doing business in this region are quite similar in some aspects to the institutional systems of all CIS countries, for they were partially shaped during the Soviet times. Not until the end of 1991, when the Union of Soviet Socialist Republics (USSR) collapsed, all of the CIS countries could create their own institutions in the construction industry.

Due to the limitations of this paper, it is impossible to present a comprehensive characteristics of all CIS construction institutions. It seems that the best picture of the institutional system can be given by the real experiences of foreign companies. Two of the prominent FDI related market failures in the CIS construction market are presented below.

SKANSKA – beaten by bureaucracy. Businessmen claim that among foreign investors in CIS countries, the Swedes were the first that became disheartened with the region²⁸. This statement finds substance with reference to the widely commented withdrawal from the Russian Federation by SKANSKA, one of the world's biggest construction companies.

SKANSKA was founded in 1887. It opened its first non-Scandinavian facility in St. Petersburg in 1902, when Tsarist Russia sought to replace the wood-based sewer system in the city of St. Petersburg and throughout the Russian empire. SKANSKA won the contract to produce the concrete pipes that provided the basis for the Russia's modern sewage system²⁹.

In 1994, after the Soviet period, during which the company had to withdraw its direct investment, SKANSKA opened a branch office in Russia³⁰. Ten years later, SKANSKA management decided to operate in the Russian market not via SKANSKA-Finland as it used to do to that point, but by buying directly a number of Russian construction companies³¹. Since that time, SKANSKA was operating in the country through its subsidiaries, which did business in the construction markets of Moscow, St. Petersburg and other Russian regions³². The strategy of brown-field investment distinguished SKANSKA from most of the other foreign direct investors active in Russian construction market at the time³³. Russian SKANSKA was very small (0.5% of the parent company total turnover) and it was not profitable, as the SKANSKA management failed to make quick decisions, be familiar with local features and be flexible³⁴. According to SKANSKA senior vice

president for corporate communications, Peter Gimbe, 'one reason that SKANSKA was not profitable in Russia was that the company had decided to do business following the same high standards for business ethics, work safety and environmental concerns as anywhere else with zero tolerance for accidents, corruption, etc. This is quite difficult in countries like Russia, and it costs more money. Unfortunately, the company did not find enough customers, who were willing to pay for this'³⁵. In 2007, SKANSKA sold its last remaining St. Petersburg subsidiaries to the Moscow company AT-Alians³⁶. One of the top representatives of Bouygues Batiment International, SKANSKA's French competitor in Russia, said later that 'if an international company operated in Russia independently, on the basis of its own standards, its risks were high'³⁷.

Atlas in the Russian Federation. Atlas, the manufacturer of construction chemicals, was founded in 1991. Over just a few years, it achieved a leading position in the Polish construction chemistry market, becoming a well-known and liked company. In the early months of the second millennium, Atlas managers decided to locate a plant abroad: in Dubna, near Moscow. The decision was based in the corporate strategy to lower the costs of transport of goods (the main ingredient of Atlas products was sand), which were produced in Poland and later sold in the dynamically developing Russian market. In 2000, Atlas noted 81 per cent growth of sales in the Russian Federation, a country located more than 1,500 kilometres from Poland. At the same time, Dubna, a small university town famous for its Institute of Nuclear Research – called the Russian Houston – ranked the second on the list of the safest towns in the country³⁸. Atlas was registered in Russia in September 2001 encountering problems only when launching the factory construction³⁹. For more than a year, the company was waiting for the issue of a permission to construct a fence around the factory. The final documentation required to prepare the permission consisted of 180 pages and 192 seals⁴⁰. According to the initial plans, the factory was to begin production in the spring of 2002. Two years later, the company managed to finally set its factory in motion⁴¹. It is estimated that the Atlas direct investment in Russia reached USD 5 million.⁴² On the occasion of the factory opening, Atlas donated the local community an ambulance with medical equipment. One year later, Atlas presented construction materials for a railway station, expecting approval by the proper authorities to provide the factory with railway wagons to transport the output⁴³.

Atlas management had always put much attention to technological development. In 2004, the company was one of the first in Poland to join the Polish Technologic Platform of Construction⁴⁴. Atlas tried to implement its R&D strategy in Russia by providing consulting services. Atlas specialists travelled through the territory of the Russian Federation, teaching wholesalers and contractors' representatives new technologies⁴⁵. Unfortunately, this kind of activity in Dubna turned out to be a strategy unsuitable for local conditions.

Since the moment of Atlas' registration in Russia, local competition had managed to strengthen its position in the market. Unlike the Atlas management, it could count on the support of the authorities. Atlas products began to be counterfeited on a mass

scale. According to Atlas representatives, fighting that crime successfully was impossible. Although there were proper regulations protecting brands in Russia, they 'used to stay only on paper'⁴⁶. When Atlas detected imitations of its products in the local market with a counterfeited trademark, 'Good and Polish' (originally: '*Teraz Polska!*' – Poland Now!), with inscription and language mistakes in the manual, it applied to the proper authorities to take appropriate actions. They did nothing. Moreover, Atlas started having difficulties in customs clearance for imports from Poland, and inspections with undefined and unjustified aims.

The full capacity of Dubna factory was estimated at 1,000 tons per twenty four hours. However, the production never even reached 25 per cent capacity. Before direct investment in Russia, Atlas was selling about 32,000 tons of production yearly and it planned to triple this volume after opening the factory in Dubna. Those plans failed. Management did not reveal any other details⁴⁷, mentioned only problems with frequent law changes and bureaucracy. In 2006, Atlas decided to sell the factory in Dubna and started negotiations with the Austrian company Baunit⁴⁸, which bought it in 2007. Although Atlas was no longer a direct investor in Russia, the company did not leave the country. In 2008, the Atlas export director said that as even original products manufactured in Dubna factory had been perceived as counterfeit, distributors preferred to buy Atlas products made in Poland because there was a guarantee they were genuine⁴⁹. Atlas presence in the Russian market was thus continued through exports. In the first quarter of 2008, Atlas sales revenue in Russia grew by twenty per cent compared to the same period of the previous year⁵⁰.

These two case studies of FDI failures show the complexity of the institutional environment of the CIS countries. They prove the popular thesis among experts that the construction institutional system in the region is characterised by: lack of simplified procedures regulating issue of construction permits, lack of transparent criteria that should be fulfilled by constructing companies, and indolence of the officials⁵¹. The administrative decision making process in the CIS construction takes place at many levels. Most of legal regulations are passed at the ministerial level and by central agencies, professional associations as well as at the regional level. For example, managing of service activities involves ability to manoeuvre through a series of complex regulations at different levels of state administration and public organizations and to cope with long-lasting certification and licensing procedures.

The complex formal institutions system creates space for informal ones. Thus, every company interested in expansion in the CIS construction market sooner or later will have contact with corruption. The inability to cope with this problem forces many enterprises to leave the region. It is very difficult to measure the scale of the corruption phenomenon. Estimating the transactional costs of informal institutions is also complicated. However, such analyses are being carried out. The chairman of the Kiev branch of the Association of Architects of Ukraine estimated, for example, that the cost of 1 square meter of dwelling in Ukraine was USD 40–50 higher than it would be otherwise because

of the bribes necessary to ensure its construction⁵². The high transactional costs in the CIS construction market are considered one of the major reasons behind low inflows of foreign direct investment into the construction business in the whole region⁵³. The mentioned above counterfeiting of branded goods is the other institutional constraint in the CIS. What is interesting, according to marketing experts in countries like the Russian Federation counterfeiting is considered as evidence for higher product quality⁵⁴.

Selected examples of overcoming institutional barriers in the CIS construction market – winners in Turkmenistan, Ukraine and Russia

Taking into account the fact that the main aim of economics should be to explain the actual situation, it is necessary to give some advice to entrepreneurs interested in doing business in the construction markets of the region. However, the SKANSKA and Atlas cases showed that dealing with the informal institutional environment of the CIS countries is complicated⁵⁵. Experience shows that the main institutional obstacles might be overcome by means of several methods.

'Ruhnama' – 'the bible of doing business' in Turkmenistan. Turkmenistan is not a well-known country and very few realize the difficulties of the current economic situation. It might be worthwhile to examine how some selected Turkish and French companies do business in Turkmenistan.

Since 2001, the Turkmen society has been forced to learn by heart the holy bible 'Ruhnama' (praising dictator Saparmurat Niyazov called Turkmenbasha). The Turkmen have to know the contents of the book: they can be asked about it even during an encounter with police or at a driving license exam⁵⁶. The holy book presents Turkmenistan as a central nation of the world, admired by the other countries of the globe. According to Turkmen media, it is an ideological bible being used by other countries. It has been translated into about 40 languages. Everyday life shows that the power of 'Ruhnama' has been skilfully exploited by construction companies. One of the most influential foreign investors in the country is Ahmet Çalik, a Turk who placed a 10-meter-high statue in 'Ruhnama's park' in Ashabad and sponsored the Turkish translation of the 'holy bible'. His companies, Çalik Holding and Gaap Insaat have been winning fat state contracts, and he became minister in the government of Saparmurat Niyazov. Other enterprises successfully operating in Turkmenistan, including its construction market, and cooperating with the dictatorship are said to include: Bouygues (a French company, which also owns French TV channel TF1), Zeppelin⁵⁷, and Caterpillar, producers of construction equipment⁵⁸.

Ukrainian 'service companies'. As high-level contacts are not available for every enterprise, and self-contained activity in the CIS market is difficult, there are special 'service companies' in Ukraine, which help to reduce the time of waiting for administration offices to issue indispensable documents⁵⁹. Their customers pay only for services. One anonymous Polish company operating in Ukraine, thanks to this scheme, was

able to shorten the period of building its factory from an expected five years to only 1.5 years⁶⁰. While using this scheme foreign entrepreneurs are protected against direct engagement in corruptive practices.

Special services companies operate usually upon a system of bogus companies, which are established for the purpose of each transaction. It is referred to as an 'agent system'. A supplier sells goods at normal prices to a company connected to a sponsor. Further, goods are passed on, upon a similar scheme, to a number of other companies. At the end, goods are sold to the final consumer at a price substantially higher than the initial one. The margins by successive traders amount sometimes even to 500–600 per cent. All transaction participants are satisfied, but the state is the loser in this procedure⁶¹. It is interesting that this scheme is used not only to spend public money, but also to spend private means, which is in opposition to classic liberal theories on maximizing profits by a managing entity. The lacking logics in this procedure is probably only of a virtual nature. Presumably, higher costs are perceived as a loss only in the eyes of uninitiated observers, and the managing entity legalises incomes gained previously in a grey zone, but eventually it fulfils the assumption of profit maximizing.

Russian bear hug. Representatives of German companies are said to be uncontested masters of successful transactions in the CIS region. One Polish entrepreneur concluded this thesis in an anecdotic way: 'they are telling the Russians exactly what they want to hear, hug them as bears do, and operate according to their principles. And please look what their sales are. Billions! And us? The quantities sold by Poles are ridiculous!'⁶².

Three cases of successful FDI indicate that some institutional obstacles existing in the CIS construction market can be circumvented by such methods as extensive assistance by authorities, help provided by local partners, and adapting to local mentality and needs. Quick identification of the so-called 'contact people' – representatives of the administration who will be authoritative in the decision-making process, is a popular method not only in Turkmenistan⁶³. As far as the Russian market is concerned, the power of the Kremlin, and members of parliament, is well known. In Kazakhstan, the potential of the eminent families close to the president Nursultan Nazarbayev cannot be underestimated. In Azerbaijan, the whole economy 'belongs to different clans linked by blood relations or place of birth and it is difficult to gain a sustainable position without compounding with them'⁶⁴. At the same time, the support of local partners is also of use in the whole region. For example, in Russia it is of significance among development companies⁶⁵. The ability to exploit cultural aspects specific for each nation as well as those common among CIS countries is the other major element to be taken into account while doing business there. A company interested in entering the CIS market should first make reconnaissance of local usances. The direct copying of operational schemes applied in Russia while doing business in other CIS countries is a common mistake, as there are many cultural differences within the region. The business culture of Kazakhs or Uzbeks is quite distinct from that of East Europeans. For inhabitants of Central Asia, the price of a good is less important than the personal relations and confidence that ac-

company the deal⁶⁶. The ability to speak the official language of the host country is also invaluable. The best solution is to hire a native speaker. Such person is regarded in the CIS as a trustworthy partner⁶⁷. If the latter is impossible, skills in Russian language may be very useful. However, 'the rule of the Russian language' should be skilfully applied. For example, in some regions of Ukraine, it can be negatively perceived. It is important to realise that the way of doing business in the CIS countries involves some informal business etiquette like invitations to dinners, gift giving or offering greetings on the occasions of birthdays or national holidays⁶⁸.

Closing remarks

This article has been an attempt to demonstrate the importance of informal institutions for the actual business activity. The role of these institutions cannot be precisely assessed. On the one hand, the complex institutional system may lead to the withdrawal of FDI from the host country. On the other hand, when foreign companies really understand institutions and know how to move among them, these factors are not obstacles. In this situation, even transactional costs may be lower than in the case of 'normal' transparent economies. Surprisingly, it may happen that the complex informal environment helps in increasing the competitiveness of a company.

It is worth mentioning that the important role of informal institutions is not a specific problem of the CIS construction market. It is common for the whole modern world in the way business is done. It is a great challenge for authorities to make changes happen. Goldie-Scot points to that finding a single and simple solution to this problem is impossible. Nevertheless, 'much could be achieved by creating more incentives for good practice, and by making better use of existing tools to improve transparency and accountability'⁶⁹.

Notes

¹ The data presented below cover the year 2008 when there were 12 members in CIS (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Republic of Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan). Since August 18, 2009 Georgia is no longer a CIS member (www.cisstat.com/eng/).

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⁵ S. Luc (2000), Zagraniczne inwestycje bezpośrednie a przekształcenia strukturalne w przemyśle polskim, „Monografie i Opracowania” SGH, Warszawa, No 475, p. 10.

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⁸ D.C. North, (1991), Institutions, “Journal of Economic Perspectives”, Vol. 5, No 1, p. 97.

⁹ G. Helmke, S. Levitsky, (2003), Informal institutions and comparative politics: a research agenda, Kellogg Institute for International Studies, University Notre Dame, Notre Dame, Working Paper No 307, pp. 7–8.

¹⁰ G. Helmke, S. Levitsky, (2006), Informal institutions and democracy: lessons from Latin America, The Johns Hopkins University Press, Baltimore, p. 5.

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¹² R. Piasecki, (2005), Znaczenie rozwiązań instytucjonalnych dla rozwoju gospodarczego krajów słabiej i średnio rozwiniętych [in:] S. Rudolf (ed.), Nowa ekonomia instytucjonalna: aspekty teoretyczne i praktyczne, Kieleckie Towarzystwo Edukacji Ekonomicznej: na zlec. Wyższej Szkoły Ekonomii i Administracji im. prof. Edwarda Lipińskiego, Kielce, p. 61.

¹³ O.E. Williamson, (2000), The New Institutional Economics: Taking Stock, Looking Ahead, “Journal of Economic Literature”, Vol. 38, p. 596.

¹⁴ EU-9 – Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia

¹⁵ WORLD INVESTMENT REPORT 2009 Transnational Corporations, Agricultural Production and Development, (2009), UNITED NATIONS New York and Geneva, p. 72.

¹⁶ UNCTAD – United Nations Conference on Trade and Development.

¹⁷ V. Dubrovskiy, O. Ustenko, (2005), Business Climate in CIS Countries, Center for Social and Economic Research, “Studies & Analyses” Warsaw, No 307, p. 10.

¹⁸ The Transparency International Corruption Perceptions Index (CPI) measures ‘the perceived levels of public-sector corruption in a given country and is a composite index, drawing on different expert and business surveys. The 2008 CPI scores 180 countries (the same number as the 2007 CPI) on a scale from zero (highly corrupt) to ten (highly clean)’ (source: http://www.transparency.org/news_room/in_focus/2008/cpi2008).

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⁵⁵ This thesis does not raise doubts, however surprisingly it concerns even companies coming from CIS region. For example in Ukraine, a number of Russian companies active in this market have left and moved to Belarus, where regulations seemed to be more understandable (Sikorski T., (2008), op.cit., p. 13).

⁵⁶ Г. Марков, Без „Рухнамы” не поедешь!, „Российская газета” – Федеральный выпуск №3542 от 04. 08. 2004 г.

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⁵⁸ The issue of cooperation between companies and Turkmen authorities was presented in Shadow of the Holy Book, the film by Arto Halonen (2008). The director of the film approached a corporation that thanks to financing translations of Ruhnama gained dictator’s favour and could enter Turkmen market (source: <http://www.cinema.com.pl>).

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