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**Regional Policy in Poland on the eve
of EU membership: regional
empowerment or central control?**

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Preface

The following paper is based on the preliminary results of a Leverhulme-funded research project, "*The regional challenge of industrial restructuring: a Polish-Czech comparison*", carried out by Irene McMaster and Martin Ferry in 2002-2003.

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Abstract

This paper assesses institutional and programming structures involved in regional economic policy in Poland which have recently been reformed against a background of regionalising and centralising impulses. The analysis draws on the results of a yearlong study of the changing role of the region in the processes of regional economic restructuring in Poland and the Czech Republic. In addition to an extensive policy and literature review, interviews were conducted with relevant organisations and actors at the national and regional levels during 2003. The paper first outlines the regional policy context within Poland, highlighting the most prominent issues and how these informed the reform debate. It argues that recent reforms have strengthened the role of the regional level in the economic development process. However, centralist tendencies are apparent in Poland's public finance system and in the chosen method of administering Structural Funds. As a result, the role of the region as a coordinator of 'top down' and 'bottom up' development initiatives remains limited.

Regional Policy in Poland on the eve of EU membership: regional empowerment or central control?

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1. INTRODUCTION

At the beginning of 1999, the Polish government introduced a package of reforms designed to revitalise regional administrative structures and encourage the development and implementation of political and economic initiatives at regional level. The reforms were driven by a combination of pressures. Poland is a large country with a tradition of regionalism and a relatively polycentric pattern of development. Restoration of regional government could be argued as part of the broader reinstatement of participatory democracy after decades of centralised communist rule: during the 1988/89 Round Table negotiations, Solidarity pushed for the revival of strong sub-national government as a vital source of 'bottom-up' legitimacy in contrast to Communist era centralism. Regionalisation could also be seen as an institutional support for a new regional development policy, more responsive to varied regional needs, particularly in the context of spatially uneven development processes. At the same time, regional reforms have altered the governmental systems of several states throughout Europe, leading some academics and policy-makers to identify a new role for the region in steering economic development, reflected in the 'new regionalism' literature.¹

However, in the Polish case, each of these drivers for regionalising reforms could also be used to argue for increasing central control (see Table 1-1). First, in the post-communist period, the impulse to acknowledge Poland's regionalist tradition in the reform process was tempered by the impulse to defend Poland's national cohesion and unitary character. Moves to reform sub-national government could be presented as a "threat to the integrity of the Polish state".² Second, the need to respond to regional socio-economic disparities does not automatically lead to the empowerment of the regional administrative tier. On the contrary, it can be argued in Poland that the centre should retain the power to control regional economic imbalances and intervene to protect those regions suffering most from the trauma of post-communist transition.

Third, although meeting the *acquis communautaire*³ and developing the necessary institutional frameworks to administer pre-accession funds allocated by the European Commission (EC) has played a significant part in the Polish regional reform process, this relationship is not straightforward. The EC's insistence on compliance with the principles of the Structural Funds, notably programming and partnership, in order to qualify for EU structural support, may not necessarily be compatible with the regional development situation and policy priorities of Poland. Moreover, a recent shift can be observed in the Commission from broad, though unspecified, support for the establishment of regional levels of government to help implement Structural Funds to a more cautious espousal of administrative efficiency and control which could argue for a more centralised approach.

¹ Storper M. (1997) *The Regional World: Territorial Development in a Global Economy*, Guildford Press; Amin A. (1999) An Institutional Perspective on Regional Economic Development, *International Journal of Urban and Regional Research*, 23 (2) pp. 365-378; Smith A., Rainne A. and Dunford M. (1999) *Regional Trajectories and Uneven Development in 'The New' Europe: Rethinking Territorial Success and Inequality*, University of Sussex Working Paper, 2-99.

² Szczerbiak, A. (1999) 'The Impact of the 1998 Local Elections on the Emerging Polish Party System' *Communist and Post-Communist Studies* Vol. 15 No.3 pp80-100.

³ Detailed rules and requirements for Candidate Countries based on EU founding treaties.

Table 1-1: Centralisation/regionalisation arguments in Poland

Issue	Centralisation	Regionalisation
Institutional vacuum at regional level	Need to ensure national cohesion and protect unitary identity.	Regional government should be reinstated as part of post-communist democratisation process.
Spatially uneven development process	Centre must have capacity to intervene in lagging regions.	Each region must have capacity to develop initiatives according to their own needs.
EC influence	Commission supports central control of regional aid funds.	Commission guidelines imply the development of regional capacity in order to contribute to implementation of regional development programmes in partnership with the centre.

The purpose of the paper is to assess the current state of Poland's regional policy system. How have these conflicting pressures been reflected in the reform process? Have regions become empowered actors as a result of the reforms or does the centre retain control? Do new institutional and programming arrangements for the formulation and delivery of regional policy grant the regional level a greater say in economic development processes?

The paper is structured in three sections. It first establishes the Polish regional policy context, introducing the drivers for reform noted above. An assessment of the new arrangements for developing regional policy at central and regional level then draws out early benefits and remaining challenges. Finally, the analysis concludes that, on the eve of EU accession, Polish regional policy continues to be drawn between centralising and regionalising impulses. As a result, it inhabits a 'half-way' house between old and new models of regional policy. On the one hand, the development of new institutional and programming frameworks has altered horizontal and vertical relationships between central Ministries and departments, regional units of government and other agencies and actors. There is now more opportunity for regions to become involved in development initiatives that were previously introduced by the centre on a largely sectoral basis. However, the involvement of regions is at the margins and their potential input is circumscribed. Regions are still largely dominated by central priorities and financed by central budget subsidies and this limits their scope to pursue development policies that originate in their own territories.

2. THE REGIONAL CONTEXT

2.1 Regional Disparities

In Poland, most large urban centres have generally benefited from the post-communist transformation. This is particularly true of the big cities, e.g. Warsaw, Kraków, Poznań, Wrocław and Łódź (Poland's textile centre which has recovered after struggling in the early post-transformation recession). Regions with richer and more modern economic structures, higher qualified labour force, and better institutional and physical infrastructure have proved more attractive to both domestic and foreign investors.⁴ The dominance of urban areas, in terms of economic development is reflected in indicators such as share of GDP, and employment levels.⁵ Warsaw is particularly dominant in terms of economic development. Mazowieckie region (in Polish *województwo* – voivodship), which contains the capital, has the biggest area and the biggest population. It hosts almost one-third of the companies registered with participation of foreign capital, has the lowest unemployment rate, the highest salaries, the highest positive migration balance and the highest GDP (in absolute values and per capita). The region generates the biggest interregional differentiation– differences in GDP per capita between Warsaw and sub-regions such as: Ostrołęcki, Radomski and Siedlecki reach a ratio of 5:1.⁶

Rural areas, predominantly in the eastern and northern parts of Poland, are handicapped by weak infrastructure, sparse and poorly-qualified work-forces and predominantly old-fashioned, highly fragmented agriculture which has lost the state subsidies on which it traditionally relied. These areas are subject to rapid de-population as a result of out-migration. Throughout the 1990s, the urban-rural development gap widened. For instance, farming households in 1999 had an average income per person equal to only 73% of the national average as compared to 94% in 1995.⁷ In 2002, the highest unemployment rate was registered in Warmińsko-mazurskie (28.8%), Zachodniopomorskie (26.4%), Lubuskie (25.9%) and Dolnośląskie (25.3%). According to Poland's National Development Plan, this situation has existed for many years and is the result of decline of the economic base in small cities and in the state-owned farms in this part of the country.⁸ Figure 2-1 shows the current voivodship boundaries.

⁴ See Gorzelak, G. (1998a) 'Regional and Local Potential for Transformation in Poland', *European Institute for Regional and Local Development*, Warsaw, Paper 14.

⁵ 'Poland reaps impressive gains on economic, social front. But growth is unbalanced' *International Labour Organisation* report 15 November 1999 (ILO/99/38)

⁶ See *Poland: National Development Plan 2004-2006* adopted by the Council of Ministries Warsaw 14/1/03 p34.

⁷ Polish official annual statistics - *Rocznik Statystyczny 1996, 2000*

⁸ *Poland: National Development Plan 2004-2006* p33.

Table 2-1 Poland's post 1999 regions – some salient features

Region	GDP/head (PPS) 2001			Employment by sector (% of total) 2002			Unemployment Rate 2002 (%)
	Poland= 100	EU15=100	EU25=100	Agriculture	Industry	Services	
EU 15		100	109.7	4.0	28.2	67.7	7.8
EU 25		91.1	100	5.4	28.8	65.8	9.0
Poland	100	40.9	44.9	19.3	28.6	52.0	19.9
Dolnośląskie	102	41.6	45.6	9.5	32.4	58.2	26.1
Kujwasko-pomorskie	90	37.0	40.6	19.1	29.4	51.4	21.5
Lubelskie	70	28.6	31.4	39.4	18.1	42.5	16.6
Lubuskie	89	36.3	39.9	10.2	31.3	58.5	26.3
Łódzkie	90	36.9	40.5	19.8	30.6	49.7	20.3
Małopolskie	86	35.3	38.8	23.7	27.0	49.3	16.2
Mazowieckie	156	63.7	69.9	20.4	21.6	58.0	17.0
Opolskie	81	33.2	36.4	18.5	32.9	48.7	19.7
Podkarpackie	71	29.2	32.0	30.8	28.2	41.1	18.2
Podlaskie	76	31.0	34.0	36.5	18.6	45.0	16.8
Pomorskie	99	40.6	44.6	9.5	31.1	59.4	21.5
Śląskie	109	44.6	49.0	4.1	39.5	56.4	20.1
Świętokrzyskie	76	31.2	34.3	31.0	24.9	44.2	18.8
Warmińsko-mazurskie	72	29.6	32.5	17.9	28.1	54.0	25.9
Wielkopolskie	106	43.4	47.6	20.3	32.7	47.0	18.2
Zachodnio-pomorskie	99	40.5	44.5	8.3	29.6	62.2	26.0

Sources: European Commission, (2004) 'Towards a new Cohesion for Europe: Convergence and Competitiveness and Cooperation' Third Cohesion Report, Brussels and Polish national statistics, 2002.

It should be noted that inter-regional disparities in Poland do not differ greatly from average disparity levels within EU-15 Member States (see Table 2-2).

Table 2-2: Internal disparities in Poland and other countries (data taken at NUTS II level)

	Highest GDP per capita /lowest GDP per capita, 2000	Highest unemployment per capita/lowest unemployment per capita, 2001
Poland	2.2	1.9
Belgium	2.9	4.9
Czech Rep.	2.7	4.5
France	2.1	2.9
Germany	2.8	5.5
Greece	1.7	2.7
Hungary	2.4	5.7
Italy	2.2	8.3
Portugal	1.4	2.6
Spain	2	3.7

Source: Waszak, L. (2003) *Poland: regional policy as a way of effective utilisation of EU funds after accession*, SKN Badań nad Gospodarką, Discussion paper No. 2, Warsaw.

Thus, in the context of Poland's accession to the EU the most important problem is not the differentiation but the comparatively low economic potential of all regions: the EU-15's richest regions are much richer than the most prosperous regions of Poland, while the poorest of Polish regions are much poorer than the most disadvantaged regions of the EU-15. According to calculations relating to GDP level per capita, the development level of Poland's strongest regional economy (Mazowieckie) is approximately equivalent to the level of the poorest regions in Greece. Meanwhile, a list of the ten poorest performing regional economies in the acceding countries contains six Polish regions.⁹

The assumption that organisational and technological imports from the West would be major factors in Poland's modernisation suggested that regionally unbalanced patterns of economic development would continue. Foreign investment would target more developed regions and this would reinforce tendencies to rural/urban and east/west polarisation. Lagging regions would find it increasingly difficult to 'catch up' and that this could cause social and economic problems.¹⁰

⁹ Eurostat (2004) 'Regional GDP per capita in the EU and the Acceding Countries in 2001' *Eurostat News Release* 21/2004, 18/2/04.

¹⁰ *Poland: National Development Plan 2004-2006 op. cit.* p114.

2.2 Institutional/policy weakness

Realisation in Polish government circles of the need to address persistent regional disparities was accompanied by awareness of an institutional and policy vacuum in the regional development field. For much of the decade, all central-level ministries were organized according to sectoral criteria. Some regional responsibilities were divided between: the Central Office of Planning (COP), which prepared analyses, formulated concepts and produced long term plans; the Ministry of Labour, which headed employment support programmes that contained a spatial element, particularly in the targeting of regions suffering from high unemployment; and, from the mid-1990s on, the Ministry of the Economy. At this stage, regional policy interventions could not be regarded as elements of a long-term strategy but rather as temporary or *ad hoc* instruments to support selected regions with particular problems caused by economic transformation.

At subnational level, the institutional framework reflected this approach. Reforms introduced in the early 1990s were ambivalent and inconclusive. Regions were granted assemblies of delegates selected from all local authorities within their territory, but these had monitoring and advisory functions rather than decision-making powers. The regional governor (voivod) remained the dominant actor, nominated by the Prime Minister and responsible for the implementation of central government policy. Redrawing of provincial boundaries was repeatedly postponed due to political pressures, and the regions remained too small and weak to fulfil many of the responsibilities entrusted to them in the fields of regional economic development policy and international co-operation.

Approaches to how this institutional and policy vacuum could be filled and how regional disparities could best be tackled ranged between two basic views on the role of the state in post-communist Poland.¹¹ One view stresses the political flux and economic uncertainty of Poland's post-communist setting. It demands the creation of a strong, centralised state to defend Poland's unitary identity and hard-won sovereignty and increase its power over scarce economic resources. Granting greater autonomy to the regions could have a negative impact on the cohesion of the country as some regions are undoubtedly better equipped to take advantage of the opportunities offered by the free market economy and imminent EU accession than others. From this perspective, the centre should strive to control regional economic imbalances and intervene to protect those regions suffering most from the trauma of transition.

On the other hand, decentralising the state can be seen as an integral part of the post-communist process of democratisation and economic liberalisation. It is argued that dismantling the heavily centralised communist system would encourage the participation of citizens in the political and economic life of the country. This approach dovetails with 'new regionalist' thinking, in that it demands a decentralised view of the regional tier of government with strong regions exercising significant political and financial autonomy in order to spur

¹¹ Gorzelak, G. (1998b) 'Regional Development and Planning in East Central Europe' in M. Keune ed. *Regional Development and Employment Policy: Lessons from Central and Eastern Europe* ILO-CEET, Budapest, Hungary 1998 p74

development on their own territories. These more prosperous regions, so the logic goes, can act as 'drivers' for the development of all areas of the country.

A spectrum of approaches to regional policy, ranging between these points, emerged in post-communist Poland: political parties, interest groups and administrative elites keen to exert an influence on the shape of post-communist Poland and maintain or gain status in the new administrative order offered proposals. The regional debate was characterised by disputes between central ministries, which wanted to maintain control of the transition process and feared that granting greater regional autonomy would threaten the cohesion of post-communist Poland, political parties who wanted to protect their regional bases of power, bureaucrats who wanted to defend their status and regional interests who wanted to reassert their individual identities. By the end of the decade, the increasing influence of the European Commission, as a major contributor to regional development funds with its own regional policy agenda, provided a further driver for regional reform, though without necessarily settling the centralist/regionalist dispute.

2.3 Influence of the European Commission on regional reform

The influence of the Commission, as a source of funds to tackle regional problems, was an important early driver for the post-communist reform of institutional arrangements for regional policy. State-founded and controlled agencies began to emerge in the early to mid-1990s to manage EU aid funds: in 1996, the Committee for European Integration (KIE) headed by the Prime Minister, was created as a centre for the transfer of EU resources and practice. Other central agencies emerged with an explicit regional aspect. In 1993, the Polish government, with support from Phare funds, launched a pilot regional development programme, Phare-STRUDER, which helped establish Regional Investment Funds designed to support the growth of small and medium-sized enterprises (SMEs) in regions struggling to develop an entrepreneurial base. In order to implement Phare-STRUDER and subsequent Phare funded projects, the government established the Polish Agency for Regional Development (PARR), specialising in regional/local development programmes.¹²

Nascent RDAs, often entrusted with most of the duties related to the direct implementation of these initiatives, offered advisory services for local and regional enterprises, and participated in EU programmes, forging links with national and international organisations. The main rationale for the creation of such agencies was the weakness of public institutions at the regional level and the need to search for new financial sources for economic development, particularly in Poland's most distressed regions. Most agencies were set up as capitalized companies (usually joint-stock owned corporations) by a consortium of municipal governments (the lowest tier of Polish local government), agencies, banks and other actors, including PARR.

Nevertheless, these regional development initiatives were piecemeal: they tended to target particular regions, (e.g. unemployment 'black-spots' in large urban areas or border regions) creating significant variations in regional

¹² In 2001, the Polish Agency for Enterprise Development (PARP) took over the tasks and responsibilities of the Polish Agency for Regional Development.

experience of dealing with EU funding and, arguably, contributing to growing disparities in terms of regional capacity. Due to the sectorally fragmented regional policy process at central government level and the impotence of the regional level of government, institutions created through this process, such as RDAs, were not adequate substitutes for a long-term, national regional economic development policy and could initially be seen as isolated actors in the field.¹³

As accession negotiations began in earnest, it was apparent that the fragmentary and centralised system of regional policy formulation and delivery described above did not meet EU requirements. On accession, New Member States will have to comply with certain requirements, listed in Chapter 21 of the *acquis Regional policy and co-ordination of structural instruments*. Among these are:

- *Programming capacity*: The creation of a structured programming framework, including National and Regional Development Plans, to select the projects that contribute most to achieving regional development objectives. To assist the programming of regional assistance, the Commission also expects prospective members to establish territorial administrative units matching its nomenclature (NUTS).¹⁴
- *Administrative capacity*: The candidate countries have to define clearly the tasks and responsibilities of all the bodies and institutions involved in the preparation and implementation of Structural Funds and the Cohesion Fund and to ensure an effective inter-ministerial co-ordination.
- *Partnership/Decentralisation*: Regional development programmes should be prepared and funds administered in close cooperation between Member States and the European Commission as well as national, regional and social-economic partners within the Member States.¹⁵

In May 1998 bureaucratic confusion and wrangling over the distribution of EU aid resulted in the European Commission's rejection of a series of Polish Phare grant applications worth €34 million on the grounds of poor preparation.¹⁶

Although regional reform legislation had stalled in the Polish parliament following the election of the post-communist SLD-PSL coalition in 1993, proponents of regional reform continued to elaborate regional reform proposals outside government, and these became increasingly shaped by EU principles. The Institute of Public Affairs, a policy research institute with ties to the first Solidarity governments of the early 1990s, worked on a package of regional reforms which were eventually to serve as the basis of the government's legislative package on regionalisation when the Solidarity camp returned to power in 1997. The Institute's project, *Law on self-government and central government administration in the provinces*, published just a few months before the Solidarity-based coalition took office, was clearly

¹³ See Brusis, M. (ed.) (1999) *Regional policy-making in Bulgaria, the Czech Republic, Estonia, Hungary, Poland and Slovakia* CAP Working Paper, Munich p13.

¹⁴ Poland is primarily concerned with eligibility for EU funding which goes to areas with less than 75% of the average EU GDP per capita and is principally categorised with reference to NUTS level 2 (set by population thresholds of 800-000 – 3 million).

¹⁵ From Commission website on *Chapter 21 - Regional policy and co-ordination of structural instruments* <http://europa.eu.int/comm/enlargement/negotiations/chapters/chap21/>

¹⁶ See Blazyca, G. and Kolkiewicz, M. (1998) 'Poland and the EU - do recent disputes threaten the accession process?' *University of Paisley European Studies Working Paper* November.

influenced by EU considerations. The project states that one basic justification for its proposals was “Adjusting a territorial state organisation and the corresponding local government’s structures to the standards of the European Union, which is a precondition of the use of legal and economic instruments aiding regional development and regional co-operation worked out by the European Union”.¹⁷

However, the influence of the Commission on the regional reform process in Poland was complicated by ambiguities in its own agenda. A conflict between the Commission’s support for decentralisation and regionalisation and its concern about the capacity of regional administrative frameworks to absorb and manage Community funds is apparent.¹⁸ Adoption of the *acquis* and implementation of pre-accession funding seem to demand the strengthening of central executives. Commission principles do not amount to the provision of a single model for Candidate Countries (CCs) to follow and the absence of such a template has caused uncertainty and confusion over what the ‘Commission model’ represents in practice. For instance, administering EU regional aid requires the creation of administrative, but not necessarily political, sub-national tiers and leaves the decision on whether arrangements should stress the central or regional tier to domestic governments. The Commission’s PHARE 2000 Review accepts this practice, stating that national ministries or agencies rather than regional structures can implement regional programmes ‘if more appropriate’.¹⁹

Thus, the persistence of regional disparities, realization of institutional weakness in the regional policy field and preparations for administration of EC regional aid in the context of accession negotiations pushed regional policy back to the top of the Polish political agenda in the late 1990s. However, it is important to note that all of these domestic and external drivers for reform accommodated both regionalising and centralising logics. The following section will analyse the regional reforms introduced in the late 1990s from this perspective. Are different and sometimes contradictory pressures reflected in the outcome of the reform process?

¹⁷ Gilowska, Z., Plosonka, J., Prutis, S. Stec, M. and Wysocka, E. (1997) *Model utrojowy wojewodxtwa (regionu) w unitarnym panstwie demokratycznym*, Institute of Public Affairs, Warsaw.

¹⁸ Keating, M. (2003) ‘Territorial Restructuring and European Integration’ *The Regional Challenge in Central and Eastern Europe*: PIE Peter Lang: Brussels p17.

¹⁹ European Commission (2000) *PHARE 2000 Review: Strengthening Preparations for Membership*, COM (2000) 3103/2, Brussels.

3. NEW REFORMS AND THEIR IMPACT

The election in 1997 of a Solidarity government with the political will to push regional reforms through prompted a new round of legislative activity (see Box 3-1).

Box 3-1 Selection of recent legislation on regional development

1. Law on regional self-government, 5th June 1998 (Dz. U. nr 91, poz.576)
2. Law on incomes of territorial units of self-government 26th November 1998 (Dz. U. nr 150, poz. 983)
3. Law on public finances 26th November 1998 (Dz. U. nr 155, poz. 1014)
4. Law on the principles of supporting regional development, 12th May 2000 (Dz. U. nr 48, poz. 550).

This legislation introduced principles designed to respond to the weaknesses in regional development policy outlined above. These principles could be grouped into three basic themes: new programming arrangements; new institutional structures and capacities; and, new emphasis on decentralisation/partnership. The following section will look at how these principles have been adopted and the impact they have had on regional policy implementation and delivery.

3.1 Programming regional policy

A new framework for the formulation and implementation of regional policy has been created with territorial structures established for the administration of EU regional assistance programmes now in place. Due to its size and relatively polycentric pattern of development, adapting territorial administrative units to this EU requirement has been technically straightforward for Poland (although the setting of new territorial boundaries proved politically controversial).²⁰ Poland now has 16 regions corresponding to the NUTS II level. Responsibility for the elaboration and implementation of regional development programmes, including the management of current EU regional assistance programmes and future Structural Funds, has now been allocated to one central government ministry: the Regional Development Programming Department in the Ministry of the Economy. The Department is responsible for the preparation of two programming documents which are particularly important for regional development.

The National Strategy for Regional Development (NSRD– the current version covers the years 2003-2006) outlines the direction of national regional development policy. It represents a point of reference for national and subnational bodies for the preliminary allocation of regional development resources from the budget, including foreign resources. The Regional

²⁰ For an account of the political debate surrounding the reform process, see Yoder, J. (2003) 'Decentralisation and Regionalisation after Communism: Administrative and Territorial reform in Poland the Czech Republic' *Europe-Asia Studies* Vol.55, No.2 pp263-286.

Development Programming Department of the Ministry also contributes an Integrated Regional Operational Programme (IROP) to the National Development Plan (NDP - the latest version covers the years 2004-2006). The IROP, one of six operational programmes to be used in implementing the 2004-2006 NDP (see Annex 1), sets out priorities, trends and amount of funds for implementing national regional development policy, to be disbursed in parallel with Structural Funds in the initial period of Poland's membership in the European Union. There has, therefore, been an attempt to integrate a comprehensive regional policy programme into sectoral initiatives and produce a programming framework for the disbursement of regional development funds. The influence of the EU on the emergence of this new programming framework was key: "EU multilateral assistance was and remains an important improvement factor of programming capacity and of administrative efficiency in the regional policy sphere".²¹

To a certain extent, these documents represent a departure from previous approaches to regional development in Poland. As multi-annual documents, they are aligned with the European Union's programming cycle, and they contribute to the new perception of regional development policy from a strategic, long or medium-term reform perspective, rather than as a series of one-time annual initiatives. They are also novel in their coverage, aims and objectives. In comparison with targeted interventions in specific regions and locales, characteristic of Polish regional policy for much of the 1990s, these programmes describe the entire territory of the country as the focus of regional policy. According to the National Strategy for Regional Development, "The aims of the state's regional development policy are formulated from an all-Poland perspective". This is, in part, based on the recognition that the main challenge for regional policy in Poland is not the scale of inter-regional disparities, which, as noted above, is comparable to EU Member States, but the low level of economic development in *all* regions.

There has been a parallel shift in the priorities and objectives of regional policy, as outlined in these documents, towards a more, modern, pro-development agenda. There is more emphasis on the development of endogenous regional potential than before: the NSRD and IROP specify increasing the competitiveness of regions (in terms of economic productivity, innovation, education, human resources, and technical infrastructure) as a key strategic aim.

However, these documents illustrate the parallel centralisation/regionalisation and equalisation/pro-development dilemmas at the heart of the regional debate in Poland. The NSRD and IROP anticipate some differentiation in levels of regional support according to varying socio-economic conditions. In the NSRD, preference is shown to regions in which GDP per inhabitant is less than 80% of the national average, the rate of unemployment exceeds 150% of the national average or employment in heavy industry is 125% greater than the national average.²² The IROP states that 10% of the funds allocated for its implementation are to be divided proportionally to the number of inhabitants in the regions in which the mean level of GDP per capita from 1997-99 was less than 80% of the national average. These regions are Lubelskie, Podkarpackie, Podlaskie, Świętokrzyskie and Warmińsko-Mazurskie. A

²¹ *Integrated Operational Programme for Regional Development 2004-2006*, [IROP] Warsaw p32

²² *National strategy for Regional Development 2001-2006* [NSRD] Adapted by the Polish government 28/12/00 p48.

further 10% is assigned to powiats (the intermediate administrative level, between region and municipality) where the average unemployment rate for 1999-2001 exceeded 150% of the national average.

Employing these criteria ensures that the allocation of funds per capita favours regions most in need. Table 3-1, which presents the planned allocation of Structural Funds from the EU according to regions, is indicative of this pro-equalisation approach:

Table 3-1: Assignment of Structural Funds per region 2004-2006

Region	Structural Funds		
	in millions of Euro	in %	per capita Poland=100
Dolnośląskie	227	8	105
Kujawsko-Pomorskie	144	5	95
Lubelskie	204	7	126
Lubuskie	84	3	113
Łódzkie	160	5	83
Małopolskie	188	7	80
Mazowieckie	305	11	83
Opolskie	78	3	99
Podkarpackie	195	7	126
Podlaskie	112	4	126
Pomorskie	162	6	101
Śląskie	284	10	81
Świętokrzyskie	135	5	141
Warmińsko-mazurskie	185	7	174
Wielkopolskie	199	7	81
Zachodnio-pomorskie	142	5	113
Poland	2806	100	100

Source: IROP *op. cit.* p99

Despite referring to the need to modernise the economy, increase its competitiveness and so on, when specifying the actual direction of activities (outlined by the way resources will be divided for particular tasks), the documents echo the traditional understanding of regional policy, i.e. in terms of equalising regional imbalances, supporting the weakest regions, burdened by unemployment and inefficient industries.²³ The strategic aims of the NSRD, outlined together with the division of outlays for the period 2003-2006, contain both types of activity with the development of basic infrastructure still accounting for most resources:

²³ See Gorzelak, G. and Jałowiecki, B. (eds) (2001), *Analiza procesu wydrażania i skutków reformy terytorialnej organizacji kraju*, Europejski Instytut Rozwoju Regionalnego i Lokalnego, Instytut Spraw Publicznych Warsaw p19.

- construction and modernisation of infrastructure to strengthen the competitiveness of regions (40%);
- restructuring of the economic bases of the regions and creating conditions for their diversification (15%);
- development of human resources and strengthening the institutions of regional policy (15%);
- supporting areas requiring activation and threatened by marginalisation (20%);
- develop the international co-operation of regions (10%).

The continued dominance of policy objectives related to better infrastructural conditions and the modernisation of marginalized regions is understandable. Poland's infrastructure base is underdeveloped in comparison with EU Member States and large infrastructure development projects absorb large amounts of EU funds while producing tangible results. Moreover, it is clear that some peripheral regions require greater external support and that some redistributive element in regional policy, overseen by the centre, is necessary. However, it is difficult to see how these activities fit into the language of "bottom up" initiatives based on the support of entrepreneurship, innovation and human capital and the mobilisation of endogenous resources at regional level, which is prominent in the new programming documents. Caught between the traditional approach to regional policy, based on central interventions in targeted regions, and the more modern focus on utilising all regions' endogenous potential, these documents perhaps reflect, rather than resolve, the regional policy dilemma in Poland.²⁴

3.2 New institutional structures and capacities

The National Level

The last few years have witnessed a marked shift towards a more coherent and co-ordinated approach of central institutions involved in regional policy, but the extent of the process is unclear. Renewed focus on the central arrangements for regional policy was marked by the consolidation of the Ministry of the Economy as the dominant actor in the regional field. The Ministry, through its Department for Regional Development Programming, has overall responsibility for regional planning and the co-ordination of regional development initiatives between national and subnational levels. In 2002, the Ministry was designated as the Managing Authority for future Structural Funds from the EU. The Ministry of Finance is the Paying Authority responsible for overall financial monitoring and control of regional programmes and has been designated the future Paying Authority for Structural Funds. Committees and agencies dedicated to the implementation of EU regional aid funds, such as the Committee for European Integration and the Implementing Authority for Phare CBC are also active.

Despite some rationalisation, the traditional lack of co-ordination and communication between central institutions involved in regional policy and the fluidity of the institutional environment – inevitable in a period of systemic transformation - remain obstacles to the effective central administration of regional policy. Political battles and institutional 'turf wars' continue to be fought over the new arrangements, hampering the clarification of lines of responsibility and coordination and stifling efforts to build institutional

²⁴ See Gorzelak and Jałowiecki *op. cit.*

capacity. For instance, in 2000, the then Solidarity government Prime Minister, Jerzy Bużek, announced the transfer of regional co-ordination duties from the Economics Ministry to a new Ministry for Regional Development (*Ministerstwo Rozwoju Regionalnego i Budownictwa* - MRRiB). The Democratic Left Alliance (SLD), the senior partner in Poland's new coalition government following the elections of September 2001, reversed this transfer of regional powers, claiming that regional policy is best located alongside other structural policy in the Economics Ministry. The Polish Agency for Regional Development (PARR), one of the most experienced centres for regional policy and management of EU regional aid, was subsumed into the Polish Agency for Enterprise Development (*Polska Agencja Rozwoju Przedsiębiorczości PARP*) as part of the same, post-election campaign to 'rationalise' public administration. PARP now has a regional development section, and overall there is less focus on regional issues.²⁵ Several ministries continue to operate their own 'regional policies' with their own budgets, programmes and regional offices or agencies, but a co-ordination mechanism for regional policy at the central government level has yet to be formalised.²⁶

Regional Level

As at the central level, important changes have also been introduced recently to the territorial administrative structures and the relative division of powers between levels of government in Poland. Communist rule bequeathed regional units of government which were politically compromised but potentially powerful elements of the post-communist state. Initial processes of regional reform stalled at the start of the 1990s and the result was a vacuum between central and local government. While broad agreement on the necessity for a regional level existed, there was widespread disagreement within Poland on the number, form and powers that these units should have.

As of January 1999, Poland adopted a three-tier administrative system. There are now 16 regions with NUTS II status and a 'dual' self-government/central government character. The Prime Minister still appoints the voivod, who safeguards the interests of the state at the regional level. The voivod is the superior to all employees in the general state administration, controlling the legality of decisions taken by the territorial governments on all three tiers. The voivod has the final say in the implementation of provincial policies and, as representative of the state treasury, controls finances. However, regional councils (*sejmiki*), now elected in direct proportional elections, represent the regional government. They elect the chief executive officer (*marshal*) who represents the region. Though subordinate to the voivod, these new regional units of self-government have important new powers in the field of programming regional economic development.

The Act on the Principles of Supporting Regional Development, which came into force in 2000, introduced Regional Contracts as a new instrument for supporting regional development. On the basis of the provisions made in the National Strategy for Regional Development, the boards of regional self-governments submit grant applications. Negotiations on the application take place between the marshal of the regional self-government and Department

²⁵ Interview with T. Kierzkowski, Polish Agency for Enterprise Development, Warsaw March 2003.

²⁶ In its most recent assessment of Poland's readiness for EU membership, the European Commission noted that some parts of the central administration, notably the Ministry for Infrastructure, remained outside the coordination process.

for Regional Development Programming in the Ministry of Economy. The contract then has to be approved by the Council of Ministers and the regional self-government council. Assistance mainly comes in the form of grants that are channelled to beneficiaries from the Ministry of Finance through the voivods. Within the framework of the contracts, the resources (from the state budget, EU funds and co-financing) to be allocated to self-governments for the realisation of regional strategies and programmes of development are calculated. The region-oriented tasks of “relevant Ministries” within the framework of their own sectoral policies, which support the realization of the general regional development policy objectives, are also covered by the contracts. The Commission’s Progress Report for 2000 specifically praised the introduction of the concept of the regional contract as an important step forward in regional policy-making.²⁷

Another important aspect of this new programming role for regional self-government is the preparation of Regional Development Strategies (*Strategia Rozwoju Województwa*). These are designed as inputs from the regional level into the generation of the NSRD. The majority of strategies are prepared in the offices of regional self-government marshals through consultation with regional policy experts and a range of representatives from public and private organisations. Strategies generally contain diagnoses of the existing state of the region, usually including a SWOT analysis, followed by a hierarchy of aims, objectives and monitoring strategies.

The strategies provide the framework for Regional Operational Programmes produced by the marshal’s office which feed into the Integrated Regional Operation Programme (IROP) in the National Development Plan. Regional Operational Programmes include analyses of the socio-economic base of the region, a section on how the Programme relates to the aims of the National Development Plan, a set of priorities and activities to be undertaken and a description of the process of consultation, monitoring and financial arrangements.

Through these new frameworks, regional units of self-government have emerged to play a more active role in steering economic development on their own territory as part of a more integrated approach to regional policy-making in the country. The inclusion of the “relevant ministries” funds in the contracts is the first attempt by the state budget to make funds used for regional development more transparent. Through the Regional Operational Programmes they generate, Regional Strategies contribute to the formulation of the National Development Plan and thus strengthen the process of vertical co-ordination (see Chart 6).

However, centralising tendencies are also apparent in these new regional institutional arrangements. The new ‘dual’ system of government at regional level is perhaps emblematic of the unresolved centralist/regionalist debate: ambiguity, confusion and rivalry over the competences of the voivod’s and marshal’s offices. Voivods have tended to maintain organisational sections relating to areas for which the regional self-governments have now assumed competence. This generates uncertainty over the position of the voivods in terms of regional policy – are they representatives of the government in the

²⁷ 2000 Regular Report from the Commission on Poland’s Progress Towards Accession, Brussels 8/11/00 p67.

regions or the representatives of the regions in the government? Who is ultimately responsible for regional policy development and implementation? The current arrangement for administering Regional Operational Programmes - whereby the marshals' offices are the programming bodies who assess prospective regional development projects, and voivods act as managing and monitoring authorities with control of finances and the final decision on them – is complicated by disputes over competence and lack of communication between offices.

Another major obstacle to regional empowerment is the continued centralisation of public finances. The new regions finance 15.9% of their local initiatives themselves with the remainder coming from shares in state taxes (1.5% of Personal Income Tax and 0.5% of Corporate Income Tax), general government subsidies and specific grants from the state budget. EU funds are absorbed at the central government level in the Ministry of Finance and administered to the regions through the voivods. Since the introduction of the reforms, regional government representatives have consistently complained that the government has not set aside enough money for administrative restructuring and regional self-governing units' tax-raising powers are still too limited at regional level.²⁸

The dominant position of the centre over the regions in terms of finance undermines the validity of the 'regional contract' as a symbol of a new, regionalised approach to regional policy-making. Being relatively poor in terms of their own financial resources places the regions in a weak bargaining position. The fact that a large proportion of the finances provided for regional projects are central subsidies means that central government determines how much is allocated and how it should be used. One regional self-government marshal points out "During the preparations for these contracts we were not a proper partner for the state... we had to agree to financing from central sources of investment which were settled long ago".²⁹ Critics of this aspect of the reforms estimate that regions' own share in financing regional contracts amounts to 2.1%, that is less than €100 million in the years 2001-2002 for all 16 regions (see Table 3-2).

²⁸ See, for example, the Treasurer of the Silesian province querying the significance of 8.5 million zloty raised from company income tax in relation to the total provincial budget of 437 million zloty in K. Jedrzejewska, 'Budżety gmin i powiatów' *Rzeczpospolita* 25/1/00.

²⁹ 'Trochę od państwa, trochę od samorządu' *Rzeczpospolita* 1/6/2001

Table 3-2: Resources designated for the implementation of regional contracts in the years 2001-2002 (in billion zł)

Means by source	2001	2002	Total for years 2001-2002	Share of total (%)
Central budget	1.73	2.25	3.98	30.3
Pre-accession EU	0.95	0.97	1.92	14.6
Relevant ministries	1.71	2.54	4.25	32.4
Gminas	1.21	0.58	1.79	13.6
Powiats	0.09	0.09	0.18	1.4
Regions	0.08	0.19	0.27	2.1
Others	0.43	0.31	0.74	5.6
Total	6.20	6.93	13.13	100.0

Source: Mościcki, B. (2001) 'Signed contracts' *Wspólnota* no.25/590.

The centralised model chosen for the administration of pre-accession EU regional aid and future EU Structural Funds contributes to the continuing dominance of the centre over the regional tier in Poland. Theoretically, as Polish regional governments are responsible for all public services as well as for the economic and cultural development of their territory, a significant amount of EU funding ought to be allocated to them. However, Polish legislation on public finances stipulates that all outflows from the EU must be concentrated in the state budget, whence it should be directed to regional administrations. Two years after the introduction of regional reforms, the Commission's appraisal of the readiness of the new regions to participate in the administration of its regional funds was noncommittal: "the role of the regions in the management of funds in the period up to the end of 2006 requires careful consideration."³⁰ EU funding is negotiated between the European Commission and the Polish central government, merged with the central state budget, allocated to projects through central ministries and progress is monitored by central agencies.

Regional self-governments do not have the financial competence to provide match funding and co-finance regional development projects with EU funds. In comparison, municipalities and cities have more economic strength to provide match funding and steer economic development. For instance, the budget for the city of Katowice is larger than that for its region, Śląskie. Thus, at the moment, most measures in ROPs are directed to the municipality level that, with private support, has the economic resources to provide co-financing for small-scale, local regeneration projects.³¹

The value of the regional contribution to programming regional development can also be questioned. Regional governments receive much more resources to implement sectoral projects than for delivering specifically 'regional'

³⁰ European Commission (2001) *Regular Report on Poland's Progress Toward Accession*, Brussels, www.europa.eu.int/comm/enlargement/poland/index.htm, p79.

³¹ See, for instance, Ochojski, A. (2003) 'Entrepreneurial Partnerships in the Local Arena', paper presented at 2nd Silesian-Scottish Seminar *Regions in the Process of Change*, University of Economics, Katowice.

development plans. The regions' programming responsibilities are further diminished by the fact that the 16 distinct Regional Operational Programmes, from regions with varying characteristics and priorities, help to generate one, common document (IROP). At the moment, each region can only decide the share of resources it will allocate to different priorities and measures from a set menu. Table 3-3 provides an example from the case of Śląskie.

Table 3-3: Allocation of resources within the framework of the priorities and measures of the IROP – the case of Śląskie.

Priority	Measure	Allocation to Priority and Measure	
Upgrade and modernisation of infrastructure used for strengthening the competitiveness of regions	Upgrade and modernisation of regional transport	56%	45%
	Environmental protection infrastructure		25%
	Regional research and education infrastructure		10%
	Preservation and reconstruction of the cultural heritage		4%
	Information society infrastructure		5%
	Development of transport links in the agglomeration		11%
Strengthening the regional economic base and human resources	Professional development adjusting human resources to the regional labour market's needs	21%	29%
	Professional reorientation		20%
	Development of staff of regional economy		11%
	Regional Innovation Strategies		10%
	Micro-companies		14%
	Tourism Development		16%
Local development	Local infrastructure	23%	78%
	Revitalisation of degraded areas		22%

Source: *Department of European Funding, Marshal's Office Katowice*

Regional self-governments hope and believe that their increasing knowledge and experience of dealing with EU funds will mean that, by the time the next programming period comes around, there will be 16 separate ROPs. In this situation, the role of regional self-governments in developing more detailed, 'region-specific' programmes and specifying detailed criteria for the selection of appropriate regional development projects will be boosted. However, suspicion persists that Warsaw and the European Commission might decide to maintain the centralised system with an integrated IROP because it has worked thus far. This would dilute the specific priorities of individual regions and decrease the status of these programmes as regional answers to regional problems. It would also undermine the political importance of the regional self-government units.³²

³² Author's interview with Jan Olbrycht, former Marshal of Slaskie region, Katowice, February 2003.

4. CONCLUSION

It is clear that the objectives, priorities, instruments and administrative mechanisms for regional economic development have changed significantly as a result of the recent reforms in Poland. There is now a greater emphasis on strategic planning, monitoring and evaluation and a stress on multi-level participation and decentralised modes of regional policy implementation. This is related to a new set of objectives and priorities that refer to the potential of forces endogenous to the region, particularly in the areas of services, human resources, research and development, competitive business environment etc. Administering EU regional assistance funds in Poland has helped mould these new institutional and procedural frameworks for regional economic development policies, filling the vacuum noticeable at sub-national level as a legacy of communist rule and early transition priorities.

However, Poland's traditionally centralised approach to regional policy can still be detected. New regional development programmes contain a sometimes contradictory mixture of traditional, interventionist measures while espousing a modern, pro-development ethos. In the face of this, the weakness of the new regional units of government as programmers of, and contributors to, regional development initiatives (most notably their ambiguous relationship with voivod offices and continued lack of financial competence) is apparent. Regional governments devote much more time and energy to the implementation of sectoral projects, initiated and resourced by central government than they do to leading regionally-financed initiatives that target specific regional issues.

What does this mean for Poland's regional economic development policy on the eve of accession? In principle, the new arrangements introduce a new way of perceiving regional policy that encourages partnership. Regional level strategies and programmes are prepared in regional self-government offices in consultation with national and regional partners from government, business, societal and academic circles. Recent reforms have thus added value by bringing together previously disconnected, isolated institutions and actors (RDAs, business associations, civil society etc.) for the programming consultation and steering process.³³ This contributes to the development of what 'new regionalist' theorists term 'institutional thickness', understood as the number of organisations sharing the same goal of regional economic development and interacting for its achievement.³⁴

In practice, however, boosting the role of the region as a partner of the centre in steering regional development has proven difficult. There appears to be some divergence between the establishment of formal, multi-level frameworks and procedures which point to a new, regionalised, coordinated approach to the governance of regional development policy and their practical operation. Regional institutional capacities remain weak, and the level of engagement of non-governmental regional actors and organizations with new units of regional self-government - the extent to which new regional networks dedicated to economic development have emerged - is open to question. If

³³ Regional strategies often contain a list of the various bodies consulted in their preparation.

³⁴ Lorentzen, A. (2001) 'Institution Building in Regional Development, Business Development and Innovation in Poland After 1989' *Regional Studies Association* Conference, Gdańsk.

the role of regional government as a nexus for coordinating regional development is limited and uncertain, what is to be gained from fostering closer ties with it? Some regional actors have been involved in the consultation process that eventually produced development strategies, but what does this amount to in terms of actually impacting on economic development processes in the region?

Poland's regional policy system continues to evolve and it must be borne in mind that the process of creating new institutional arrangements has been extremely rapid. These new regional units are still attempting to build up their capacities and have yet to become embedded. Given its historical context, redefining the region as a unit of political representation, economic power and cultural significance will take time. Public trust in the new regional level is low: in a recent national opinion poll only 9% of those surveyed expressed satisfaction with the new level, while 58% were happy with the work of the local, municipal level.³⁵ Municipalities have had over a decade to foster closer links with citizens, while the regional tier is just embarking on this process. Moreover, the regional level has to overcome the perception of regional government officials as 'outsiders'; a legacy of the communist period.

Nevertheless, one of the stated aims of regional reforms - giving the region a greater say in setting its own economic development trajectories - is proving difficult to achieve. Currently, there appear to be two distinct spheres of regional policy in operation in Poland matching both sides of the centralist/regionalist debate: large-scale, 'top-down' central interventions (such as infrastructure projects); and small-scale 'bottom up' regional or local initiatives (which may be more concerned with developing regional clusters of SMEs). Both types of activity are important in the current Polish context. However, according to regionalists, an intermediary administrative level provides a vital bridge coordinating the national and general with the local and specific. At the moment, due to the fragility of the regional level, the connection between these spheres is weak.

Government proposals for granting regions a greater share in tax incomes are being debated: for some, these reforms would boost the financial autonomy and political power of regional governments while others see an increased share of tax revenues as a way of increasing the responsibilities of regions without granting them the advantages that would accrue from raising their own taxes.³⁶ Government plans for the establishment of around six planning or statistical regions, drawn from combinations of the existing voivodships and fitting the EC's NUTS I criteria, have recently emerged. The intention is for these regions to serve purely as statistical units, but some regional self-governments fear that how they are grouped will have an impact on the future allocation of Structural Funds and may lessen regional input into the process.³⁷ Thus, questions of regionalisation and centralisation – how regional development policy should be financed and who should decide how it is spent - are ongoing. On the eve of accession, a new, challenging stage in the evolution of the Polish regional policy system is about to begin. These new frameworks will be tested by the demands of absorbing regional funds and managing regional development programmes. In an enlarged EU, Polish

³⁵ 'Nieudana kadencja samorządów' *Rzeczpospolita* 15/7/02.

³⁶ 'Jakie pieniądze dla samorządów?' *Gazeta Wyborcza* 29/07/2003.

³⁷ 'Województwa w regiony' *Rzeczpospolita* 2/3/04.

regions will also have to withstand increased competitive pressure from member states. Further reform, clarifying the regional policy responsibilities of actors at national and regional levels, making the funding and implementation of regional policy more transparent and boosting the role of the region as a coordinator of regional development programmes, is needed.

Annex 1: Overview of Regional Policy Programming in Poland (with Slaskie region as an example)



