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## **Dilemmas of the goals of Polish regional policy**

### **1. Diagnosis of Poland's regional structure**

1.1. After years in a centrally-planned and managed economy ideologically and politically subordinated under pressure from the former USSR, Poland is only now dragging itself out of an economic backwardness whose synthetic indicator is a level of GDP per capita at only 40% of the EU average even when purchasing power is taken into account. In spite of a relatively high rate of economic growth in recent years, the country's economy is still in the initial phase of making structural changes that most European countries obtained at least a quarter of a century ago. Poland must therefore be treated as a country whose regional structure is not yet crystallized, being subject to the influences on its real shape of such phenomena as:

- a level of urbanization that, at c. 62%, is still relatively low, with the corollary that there is still excessive engagement of labour in agriculture;
- resultant high levels of open or hidden agrarian unemployment;
- a relatively high and spatially-concentrated share for traditional and outdated industries in the structure of the economy and exports (concerned here *inter alia* are coal and copper mining, the iron and steel industries and metallurgy, and partly also light industry);
- the underdevelopment of technical infrastructure which obstructs integration into European networks and the taking of full advantage of Poland's favourable geopolitical location;
- the endangerment of uniquely-valuable features of the natural environment, as well as cases in which it has already been devastated by rash economic overexploitation in the past.

A decade of transformation has supplied proof that the conditions of the open market economy lead to a loss of the leading positions once held by the beneficiaries of "real socialism", i.e. the regions in which strategic industries based on the raw materials (coal, copper, iron and steel) are located; or the state agriculture and the military-industrial complex as well. In turn, the winners in the new situation are mainly those regions whose economies

have a multifunctional structure, as well as somewhat better infrastructure, and concentrate well-prepared resources of labour. The rankings illustrating the socioeconomic situations of regions have thus experienced major changes.

1.2. The regional structure of Poland has been shaped by the history of a country and continent rich in dramatic events. This has had its good and bad sides, with periods of flowering and decline. Unfortunately it is the latter, which have predominated, in recent history. While the collapse of the three partitioning powers of imperial Russia, the Kaiser's Germany and the Austro-Hungarian Empire in 1918 did lead to Poland's restoration after a 123-year absence from the political map of Europe, this was a short-lived period of independence ended as early as in 1939 by aggression on the part of both Germany and the Soviet Union.

In the aftermath of World War II, the victorious allied powers engaged in geopolitical maneuvering on a scale unprecedented in modern Europe. The Polish state was shifted westwards, with the USSR taking on the more than 45% of the pre-War area lying in the east of the country, while Poland was in part compensated by the gaining of lands to the west and north. It is right to say in part, because Poland - despite being militarily active on all the fronts of the victorious allies - lost more than 75,000 km<sup>2</sup> (20% of its pre-1939 area) as a result of the wheeling and dealing. At the same time, our country was assigned to the zone dominated by the USSR, with political - and above all socioeconomic - implications that can be felt to this day, as the ten years of regained sovereignty after 1989 have not been enough to erase these completely.

Poland's stormy 20th-century history has exerted its influence on regional structure. The border changes and mass movements of people ensured that the task of each successive state authority was first and foremost to integrate new lands and the new communities developing in them. Both inter-War and post-War Poland have thus been characterized until recently by the binding model of a highly-centralized state with nothing more than fledgling autonomy at the local level only. Self-government at regional level was regarded more as a threat to integration and to the unitary nature of the state, than as an impulse to development mobilizing the additional motive force indispensable to the central steerers of development policy. Only this year has a breakthrough come in the form of decentralization of the territorial structure of the public authorities. Favourable conditions for intra-regional policy are now being put in place by the new administrative division of the country into 16 voivodeships (regions) with a mixture of central power exercised at provincial level and genuine local government. A public subject for the aforementioned policy has been created, as has its potential economic base.

The economic potential of the 16 new voivodeship-regions is illustrated in the appended compilations. From the point of view of state regional policy it points to a phenomenon of fundamental significance: the fact that inter-regional differences, particularly those measured in terms of GDP per head, are not very extreme in Poland. The per-capita GDP in the "best" (Mazowieckie) voivodeship is only a little

over twice that in Świętokrzyskie voivodeship, the weakest! This is a much smaller difference than in other European countries of comparable size. Of course, it should be stressed that this is not so much the result of the even distribution of economic potential as of the still-tangible heritage of years of real socialism which over-developed the public sector on the basis of funding that mainly derived from budget sources. It should also be explained that in very disaggregated conceptualizations, e.g. those on the scale of the 373 powiats, the index in question shows a distinctly wider, 5-fold range. Furthermore, analysis of other measures of the socioeconomic situation reveals differences between the voivodeships that are greater than for per-capita GDP. For example, the rate of unemployment ranges between the 8.5% in Silesia's Śląskie voivodeship and the 21.1% noted in the Warmińsko-Mazurskie voivodeship (though this is still only a 3-fold difference).

1.3. In the light of the available data, there is no confirmation of a thesis arising sometimes in the media and concerning rapidly increasing differences between the regions in the years of transformation. In fact, research and estimated data on the regional distribution of the most representative macroeconomic measures (GDP and value added per capita) tend rather to point to the stability of the economic and spatial structure shaped in the more distant and more recent (command-economy) past. In particular, there is no change in the macroeconomic relationships between the western and eastern parts of the country described in the literature as Poland A and Poland B. In contrast, clear differences have emerged when it comes to new phenomena not registered previously, i.e. the rate of unemployment first and foremost. Two aspects of this problem are worthy of special attention, because they go a long way to determining a hypothesis of regional development in Poland:

- first, the appearance and sustainment of the country's highest levels of unemployment in the rural areas of the north regions, previously dominated by inefficient but highly-subsidised state farms. Despite the fact that employment in agriculture there was the lowest anywhere in the country when expressed per unit of productive agricultural space, it still turned out to be excessive in the conditions of the market economy;
- second, the growth in the resources of labour on peasant farms where these are smallest and already most saturated with such resources (i.e. in south-east Poland above all). The increase reflects the laying-off of worker-farmers once employed by large industrial enterprises, mainly in the military sector. The poor financial condition of the latter and consequent restructuring or collapse brought about a mass return of what had previously been worker-farmers to the tiny farms. The region has not therefore shown a drastic increase in open unemployment, but rather a hidden agrarian unemployment that, although less spectacular, is bound to have long-term consequences that are no less threatening.

These phenomena have had an undoubted influence on Polish regional policy, because the areas in which they occur once passed for regions of stability from the social and economic points of view. It is just these changes that favour claims regarding the increasing differences between Poland's regions. And these claims should be taken note of, because they play a great role in shaping the visions and hypotheses regarding further regional development that are articulated by many policy centres, as well analytical and scientific centres, creating an option in opposition to the prevailing views on the moderate scale of inter-regional differentiation. It is in the nature of things that what is being considered here is not so much the

increasing disparity between regions, but the changes in the positions of particular regions, most especially those that were favoured in the past.

## **2. The programming of regional development in Poland**

The programming of regional development in Poland is relatively deeply rooted. It was as early as in the late 1920s and early 1930s that an ambitious project for a Central Industrial District was drawn up - with a view to transforming economically-backward areas with marked agrarian overpopulation. The implementation of the project was of course interrupted by the Second World War.

In the post-War period, the regional development of Poland was subjected to the rigours of central planning and administration. These saw the doctrines of "real socialism" as the fundamental factor in future success. In the regional development sphere the doctrines bore fruit in relatively limited regional differences in the living standards and conditions of the population. That said, it must be stressed that the source here was by no means an even distribution of potential, but rather the mechanism of far-reaching spatial as well as social redistribution of national wealth so characteristic of the then political and economic system. One of the consequences was obstruction of change in the country's settlement structure. A country of almost 40 million people has only one city of more than a million inhabitants, while the settlement network (regarded as a moderate polycentric concentration and looked upon with pride by Polish planners and, it must be admitted, with envy by many other European countries) has to wrestle with the problems of overconcentration, especially in the capital-city agglomeration. It nevertheless needs to be added that there has so far been no reliable account drawn up as regards the effectiveness of functioning of the highly-dispersed settlement network. The discussion on the part of proponents and oponents of the stimulation of further concentration has been largely emotional in character.

In 1990s Poland, the deep systemic changes termed "shock therapy" provoked symptoms of the condemnation of all forms of public planning as relics of the compromised central economic planning within the Polish variant of "real socialism". However, the counter-reaction to the catastrophes of this form of planning did not last long, with the breakthrough in attitudes to planning being favoured by ever-closer contacts and cooperation with the European Union.

The now-near prospect of Polish membership of the EU creates new impulses and

opportunities for the development of the country - including in the regional aspect, but it also provides new challenges in the spheres of the programmes, institutions and personnel preparing Poland to meet the standards in force in the Structural Funds and other EU instruments and institutions. An important step in this direction is the work now being done on a National Strategy for Regional Development, which is treated as an integral part of the National Development Plan. Also now coming to an end is work on a long-term concept for a national spatial planning policy which will create a substantive basis for structural policy in this sphere. At the same time, the 16 new voivodeships have begun work on their own regional development strategies, having become fully-authorized local-governmental subjects of intra-regional policy as a result of the recent reform of the country's territorial organization. They are now entitled to use their own funds to achieve their own objectives on the basis of their own political and material responsibility.

### **3. Dilemmas underlying the goals of Polish regional development policy**

The revival of research into strategies for the development of the country and its regions has provided the impetus for discussion on the goals and directions of development policy in general, and regional development policy in particular. As in other countries, different options have been presented, with the extreme manifestations of these being:

1. a neo-liberal option permitting uncontrolled polarization of regional structure. The essence of this is the claim that polarizational trends are objective in character, while their result is improved effectiveness of spatio-economic structures. Extreme cases draw from this the conclusion that all kinds of leveling policy should be rejected as ineffective and costly. This is usually reinforced by a postulate that support should be given to the regions that are strongest economically, as their development might be accelerated at relatively limited cost, and then result in the "dragging-up" of other regions of the country, mainly through the diffusion of modern technologies and management models.
2. an option that treats the leveling function as the only mission of regional policy. Beginning with similar premises in their assessment of phenomena in the real sphere, supporters draw

conclusions diametrically-opposed to those of the neo-liberals. They claim that the present dimensions to regional differentiation are excessive, while polarizational tendencies might further increase them; and they therefore opt for a more distinct leveling policy, and hence an increased transfer of assistance to the weakest regions, inevitably at the cost of those determining the level of economic growth. To be mentioned as potential beneficiaries of support are the weakly-urbanized eastern regions, as well as those exposed to excessive outflows of people (depopulation) which threaten them with permanent socioeconomic marginalization. The vision in question makes an implicit assumption as to the rationality of the present regional structure, and especially the distribution of human potential; and considers the overriding mission of state regional policy to be the defence of the model of "moderate polycentric concentration". There is no room here for the stimulation of migration as a factor balancing supply and demand on regional labour markets, while the classic manifestation is that new places of work should be founded where the supply of labour resources is unbalanced, i.e. in rural areas where these are showing the greatest increases.

Against the background of the "points of entry into discussion" defined in this way, the dilemma inherent in the goals of Polish regional policy has tended to be identified until recently by contrasting the spectacular distance of this policy from real possibilities and sense. For no government anywhere in the world has resolved the problems presented in categories of "either-or", but always rather in terms of "and-and". No country in European cultural circles remains impassive in the face of enclaves of structural depression, but none negate the existence of - and role to be played by - regions or cities that can act as motors of development if they are given particular respect. Thus, for all the spectacle involved, the contrasting of extreme alternatives is now treated as an unconstructive approach. In the resolution of the dilemmas of Polish regional development policy another option - the option of effectiveness in the shaping of long-term trends to regional development is carving out a path for itself.

As has already been mentioned, we in Poland treat regional development policy as an integral element of the policy for the development of the country *sensu largo*. The ruling coalition has recently been unambiguous in subscribing to a dynamic strategy of economic growth oriented towards a 7-8% annual increase in GDP. As the maintenance of such a dynamic on the basis of what can only be a small number of "enclaves of effectiveness" or "motors of progress" would not seem possible, it will be necessary to activate other regions too, by making best use of their diverse attributes and predispositions and thereby creating

chances for effective development in the conditions of the open market economy. The country's regional policy should thus stimulate improved competitiveness among Polish regions - above all in international relationships and on the basis of well-chosen and identified "hot spots". Only against this background should action of the levelling type be taken, and then only on a scale dictated by the life principle of an "even start" rather than an even level of consumption.

It is on the basis of just such premises that a new paradigm for Polish regional development policy is now taking shape. This proceeds by selecting such forms of support for regional development that, while respecting principles elaborated in EU countries over decades of experience and experimentation, would at the same time account for the specifics of Poland's economic and spatial structure and the imperative that it be transformed, as well as being in line with the general principles of a reformed territorial organization of the country involving decentralization and the building of citizens' state. The paradigm in question assumes that:

- the basic subject of regional development policy will be the self-governing authority in a voivodeship, while the centre's function in inter-regional policy will be an auxiliary (subsidiary) one;
- in these conditions, the policy of regional development will become its own kind of "positive-sum game", in that it will bring about the more effective use of endogenous factors of growth by accounting for the differences between regions in terms of resources, chances and developmental predispositions;
- support for regional development from the national level (including in the form of foreign aid) will be directed towards undertakings that create a permanent basis for development in those spheres in which the given region has a chance of competing nationally and at the Europe-wide level;
- social shielding of those groups in society threatened by permanent marginalization will be a subject of social policy implemented nationwide.

Formulated in this way, the general principles of regional development policy are logically capable of encompassing both the option of support for the most dynamically-developing centres and axes (along key infrastructural corridors), which currently determine the competitiveness of the Polish economy; and the option of development projects for the most-promising centres and regions ("hot spots"), in areas whose development has so far been

weak.

In line with the concept for the spatial organization of Poland (RCSS, 1999), it would be particularly valuable to balance national development by extending support to the agglomerations developing upon the future eastern border of the EU (Olsztyn, Bia³ystok, Lublin and Rzeszów). These are the only cities east of Warsaw that might serve as regional centres and prove able to absorb future excesses of labour in the agricultural regions of eastern Poland.

A regional policy pursued in this way has greater chances of balanced development, but remains in accord with the long-term priorities of the national development policy *sensu largo*. It would also seem to accommodate the views of those supporting the "polarization" option, alongside those of supporters of levelling. For the truth is that neither of the models should or may be implemented in its purest form in Poland, with the result that the dilemma lies - and will lie - in the real proportionality to the allocation of funds for regional development. Most of these funds and allocational criteria will take shape in the nearest future, and all the more so after Poland joins the EU and is required to take account of the rules of its game. The latter are already defined quite clearly: if the whole of Poland is considered an "Objective 1" area, then the real allocation of financial support will be decided not only by the priorities of the national strategy for regional development, but also by the absorption capacity the different regions are able to demonstrate, *inter alia* through the preparation of the necessary programme documents that form a guarantee of the effective use of funding. So, in the final analysis, it will not be the place that decides on the real allocation of funding for regional development in Poland, but rather the effectiveness of proposed undertakings.

The sensible linkage and coordination of different sources of funding and levels of administration of pro-development activity will not be possible unless Poland devises its own vision of its strategic development. This must be all-embracing, and not merely confined to fragmentary adjustment to the needs of the EU's four Structural Funds. If such a strategy is not drawn up, the vision of harmonized national and EU priorities may come to be seen as a very difficult one, full of tensions and capable of generating decisions that are nothing more than incidental, and hence ineffective and conflict-generating.

**Poland. New 16 regions (voivodships) - basic data, 1998**

Voivodship (seat of the voivod)		Population	Area (sq. km)	Density	1997 GDP per capita compared to Poland's average (est.)	gmina (localities)	powiat (counties)	towns/cities having the rights of county (powiat)	rate, % <sup>x</sup>	Unemployed in thousand	unemployed women in thousand
1.	Dolnoslaskie (Wroclaw)	2 987 042	19 946	150	94	169	26	4	14,8	151,0	93,3
2.	Kujawsko-Pomorskie (Bydgoszcz)	2 098 174	17 970	117	84	144	19	4	15,3	123,6	75,3
3.	Lubelskie (Lublin)	2 244 183	25 115	89	73	213	20	4	12,1	105,8	60,4
4.	Lubuskie (Gorzow)	1 019 695	13 985	73	86	83	11	2	15,2	48,8	30,1
5.	Lodzkie (Lodz)	2 675 777	18 223	147	94	177	20	3	13,2	136,5	73,9
6.	Malopolskie (Cracow)	3 203 823	15 141	212	90	182	19	3	8,8	105,1	66,9
7.	Mazowieckie (Warsaw)	5 068 494	35 715	142	151	325	38	4	8,7	181,3	106,5
8.	Opolskie (Opole)	1 091 698	9 412	116	86	71	11	1	11,9	42,7	28,4
9.	Podkarpackie (Rzeszow)	2 117 389	17 890	118	75	160	20	4	13,5	129,3	75,2
10.	Podlaskie (Bialystok)	1 224 189	20 180	61	72	118	14	3	12,5	55,0	31,7
11.	Pomorskie (Gdansk)	2 178 627	18 293	119	100	123	15	4	12,7	87,8	56,2
12.	Slaskie (Katowice)	4 899 536	12 309	398	115	166	17	19	8,5	129,5	89,4
13.	Swietokrzyskie (Kielce)	1 329 515	11 672	114	69	102	13	1	13,7	80,7	46,5
14.	Warminsko-Mazurskie (Olsztyn)	1 460 247	24 202	60	77	116	17	2	21,1	110,2	68,9

15.	Wielkopolskie (Poznan)	3 344 934	29 942	112	108	226	31	4	9,4	114,1	75,1
16.	Zachodniopomorskie (Szczecin)	1 728 645	23 032	75	97	114	17	3	16,0	87,7	54,0
	POLSKA	38 671 968	313 027	131	100	2 489	308	65	11,8	1 689,1	1 031,8

**Source:** Ministry of Interior and Administration, August 1998, except for GDP estimation which comes from: W.M.Orlowski, E. Saganowska, L. Zienkowski,

Prepared by: Polish Agency for Regional Development (**Error! Bookmark not defined.**)

<sup>x</sup> April, 1999