

# THE NEW MECHANISM OF PROGRAMMING AND IMPLEMENTING REGIONAL POLICY IN POLAND IN ITS FIRST YEARS AS MEMBER OF THE EUROPEAN UNION

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**Abstract:** Poland's imminent accession to the European Union has made it necessary to work out new rules of programming and implementing regional policy consistent with the EU standards. The changes in the implementation of the new model of regional policy can be divided into two periods. The first (2000-2003) started with the coming into operation of the Principles of Regional Development Support Act on 12 May 2000 and was devoted to the working out of the new model of programming and implementing regional policy that the Act demanded. The other period (2004-2006) marks the beginning of Poland's membership of the EU, and hence the necessity of preparing further strategic documents and a full adjustment of Polish regional policy to the EU standards. The basic document required by the EU that defines Poland's socio-economic strategy in the first years of its membership is *The National Development Plan, 2004-2006 (NDP)*. NDP implementation rests on six operational programmes. One of them is *The Integrated Operational Programme of Regional Development (IOPRD)*, which defines priorities, directions, and means earmarked for the implementation of the state's regional policy and coming partly from the Structural Funds. The strategic goals set in the Programme are consistent with directions defined in *The National Strategy for Regional Development, 2001-2006*, while the rules of its implementation are based on those of the EU Structural Funds and the domestic rules controlling public finance, public assistance, and the division of responsibilities in pursuing and implementing regional policy between the central government and local authorities. The aim of the present paper is to describe the mechanism of programming and implementing the state's regional policy during Poland's first years in the European Union, as defined by *The Integrated Operational Programme of Regional Development, 2004-2006*.

**Keywords:** Regional policy; Contract; Poland; The National Development Plan, 2004-2006; The Integrated Operational Programme of Regional Development, 2004-2006.

## 1. Introduction

Poland's accession to the European Union (EU) has made it necessary to work out new rules of programming and implementing regional policy consistent with the EU standards. The changes in the implementation of the new model of regional policy can be divided into two periods. The first (2000-2003) started with the coming into operation of the *Principles of Regional Development Support Act*<sup>1</sup> on 12 May 2000 and was devoted to the working out of the new model of programming and implementing regional policy that the Act demanded. The other period (2004-2006) marks the beginning of Poland's membership of the EU, and hence the necessity of preparing further strategic documents and full adjustment of Polish regional policy to the EU standards. The basic document required by the EU that defines Poland's socio-economic strategy in the first years of its membership is *The National Development Plan, 2004-2006 (NDP)*. It has been drawn up on the basis of directives put forward in the EU Council Regulation No 1260 of 21 June 1999 (1260/99/WE) introducing general rules of operation of the Structural Funds, and provides a basis for Poland's negotiation of a Community Support Framework (CSF) for the first two years of membership<sup>2</sup>.

NDP execution rests on six operational programmes. One of them is *The Integrated Operational Programme of Regional Development (IOPRD)*, which defines priorities, directions, and means earmarked for the implementation of the State's regional policy that will come partly from the Structural Funds. The strategic goals set in the Programme are consistent with directions defined in *The National Strategy for Regional Development, 2001-2006 (NSRD)*<sup>3</sup>, while the rules of its execution are based on those of the EU Structural Funds and the domestic rules controlling public finance, public assistance, and the division of responsibilities in pursuing and implementing regional policy

between the central government and local authorities.

The aim of the present paper is to describe the mechanism of programming and implementing the State's regional policy during Poland's first years in the European Union, which has been designed to sort out Polish inter- and intra-regional policy and to create conditions for the absorption by Polish regions, first, of accession-driven assistance and next, structural means. Special attention is devoted to the *Integrated Operational Programme of Regional Development, 2004-2006*, which defines directions and priorities of regional policy measures to be instituted in the initial years of Poland's EU membership. An analysis is made of the priorities and measures, amount of spending by financing source, kinds of priorities, spatial differences, and ways of co-ordinating and implementing structural assistance throughout the Programme period.

## **2. Regional differences in Poland**

### **2.1. Administrative-territorial organisation of Poland**

The territorial division of Poland that has been in force since 1 January 1999 is based on a new, three-tier model: the commune, the poviats, and the voivodeship, working on the principles of decentralisation and self-government (see Fig. 1). In the new administrative organisation, poviats have been restored as local government units (besides communes operating since 1990). But especially important was the change in the status of the voivodeship. This administrative region, being the highest-level territorial unit of a mixed central government/self-government character, has become the chief unit responsible for executing regional policy. The new territorial organisation has also changed the number of regions: instead of the old 49 voivodeships, 16 large ones have been created. For political reasons, it was impossible to carry out the intended division into 12 voivodeships which would be similar in size and demographic potential to the regions of the EU member states. The limitation of the number of voivodeships from 49 to 16 has led to a loss of particularity and an increase in uniformity of Poland's regional system (cf. Churski, 2002).

Apart from the territorial-administrative division, Poland also makes use of the NUTS classification of territorial units, as do EU member states. Its introduction on 13 July 2000 resulted from Poland's obligations under the *National Programme for the Adoption of the Acquis* and the negotiating position on statistics (cf. the Council of Ministers Ordinance of 13 July 2000 ..., 2000). As in the EU, the system embraces five levels<sup>4</sup>:

**Level 1 (NUTS 1)** - covers the entire country (1 unit);

**Level 2 (NUTS 2)** - corresponds to voivodeships (16 units);

**Level 3 (NUTS 3)** - corresponds to subregions that do not appear in the territorial division of Poland; it has been established specially for NUTS purposes (44 units);

**Level 4 (NUTS 4)** - corresponds to poviats and towns with poviat status (373 units); and

**Level 5 (NUTS 5)** - corresponds to rural and urban communes (2,489 units).

From the point of view of regional policy, the relevant levels are NUTS 2 and NUTS 3 (see Fig. 2). Support areas under domestic regional policy can be delimited at the voivodeship level (NUTS 2 units), groups of poviats - subregions (NUTS 3 units), and poviats (NUTS 4 units). It is assumed, however, that the voivodeship will remain the basic area under regional policy.

### **2.2. Socio-economic disparities among the Polish regions in comparison with the European Union**

The synthetic measure of socio-economic development widely employed in analyses of regional differences is per capita GDP. The range of variations in the index for the Polish voivodeships (NUTS 2 units, 2002 data) is 1:2.1 and is close to the EU average. The lowest level of economic development is registered in the east of Poland. There are four voivodeships forming a compact area with the lowest per capita GDP, popularly known as 'the eastern wall': Warmia-Mazuria, Podlasie, Lublin, and Podkarpackie. The 'wall' extends to include Świętokrzyska Land, which does not abut on the eastern state border but also displays a similarly low development level. In the 1990s those regions (with the exception of Podlasie) developed at a slower rate than the remaining areas, which has widened the inter-regional disparities between the east and the rest of the country. The reasons responsible for the per capita GDP in those regions persisting at a level lower than the national average include the highest proportion of the farming

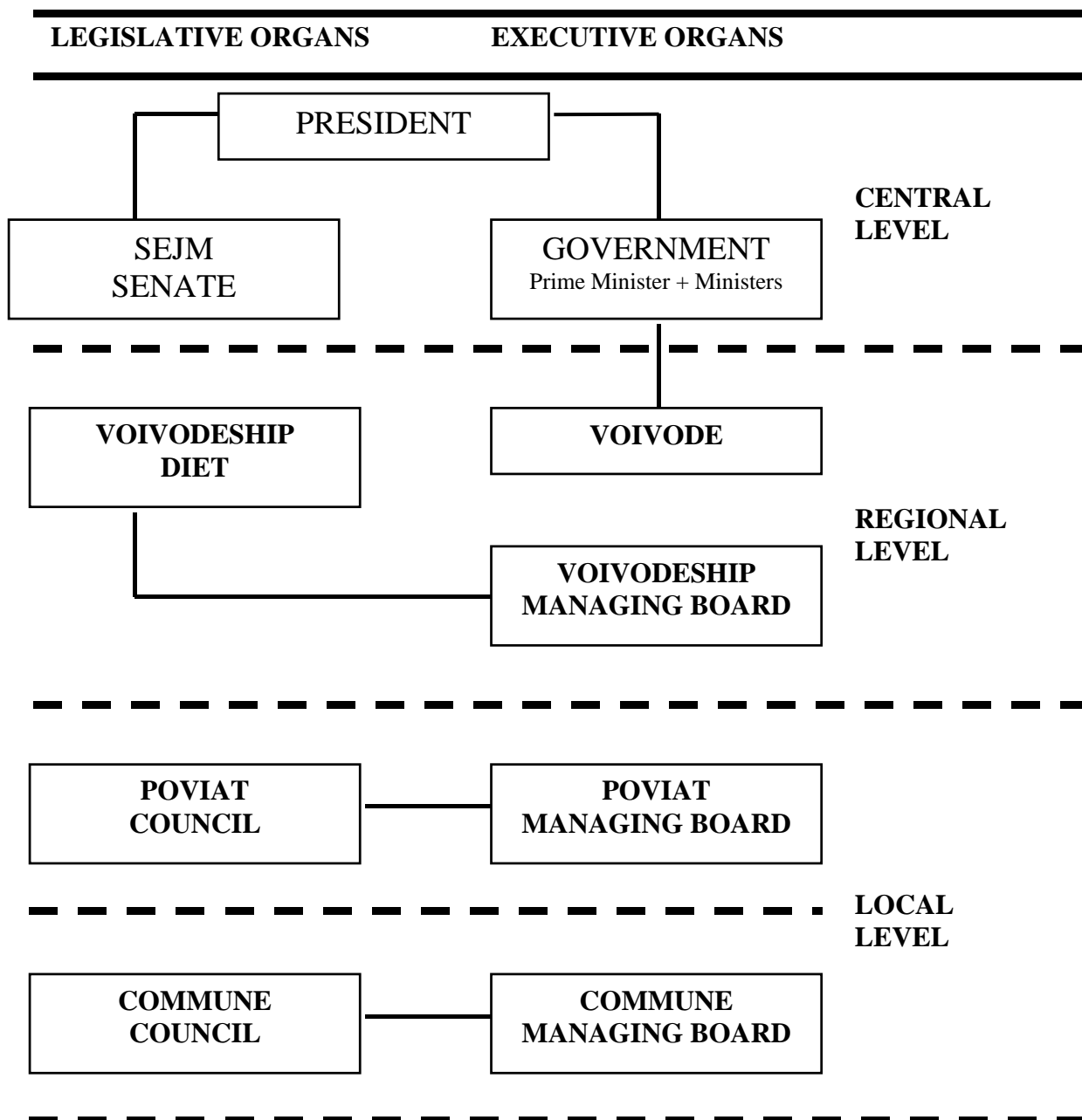


Figure 1. Power structure after the local government reform in Poland (as from 1 January 1999)



Figure 2. NTS 2 and NTS 3 units in Poland

population in the country, loss of the old economic base as a result of restructuring processes (this especially concerns Warmia-Mazuria with its problems of former state farms, as well as Świętokrzyska Land and Podkarpacie wrestling with the restructuring problems of towns formerly dependent on the iron-and-steel and armaments industries), and finally the lowest level of foreign direct investment in Poland. The highest GDP level can be observed in voivodeships whose principal cities are the largest metropolitan areas in Poland: Mazovia with Warsaw (148.9% of the national average), Silesia with the Upper Silesian conurbation (110.9%), and Wielkopolska with Poznań (106.5%). It should be emphasised that in the case of Silesia a steady downward tendency in per capita GDP can be observed, which is a consequence of restructuring the extractive and iron-and-steel industries (cf. *Integrated Operational Programme...*, 2004; Fig. 3).

The level of socio-economic development of Polish voivodeships is considerably lower than the EU average. The strongest voivodeship, Mazovia (in 1999 its per capita GDP amounted to 55.0% of the EU average), corresponds roughly to the poorest regions of Greece - Ipeiros (51.3%) and Dytiki Ellada (53%), Spain - Extremadura (51.8%), and Portugal - Acores (52.8%) (cf. First Progress Report, 2002). The 'eastern wall' voivodeships: Warmia-Mazuria, Podlasie, Lublin, Świętokrzyska Land and Podkarpacie, are among the poorest developed regions of both, old and new member states of the EU (their GDP amounted to 27-30% of the EU average). It should be emphasised that per capita GDP in those voivodeships is markedly lower than it was in the poorest regions of Greece, Portugal and Spain on their accession to the EU. Thus, per capita GDP in the poorest region of Spain, Extremadura, was 44% in 1986 and in the poorest region of Portugal, Alentejo, 37% (1986).

### 3. The new model of regional policy in Poland

In the communist period, regional policy in Poland was of minor importance; it was reduced primarily to measures conforming to the ideological and political priorities currently in force. During the economic recession of the 1980s and the unsuccessful attempts at reforming the socialist economy, regional policy was even abandoned altogether (cf. Węclawowicz, 2002).

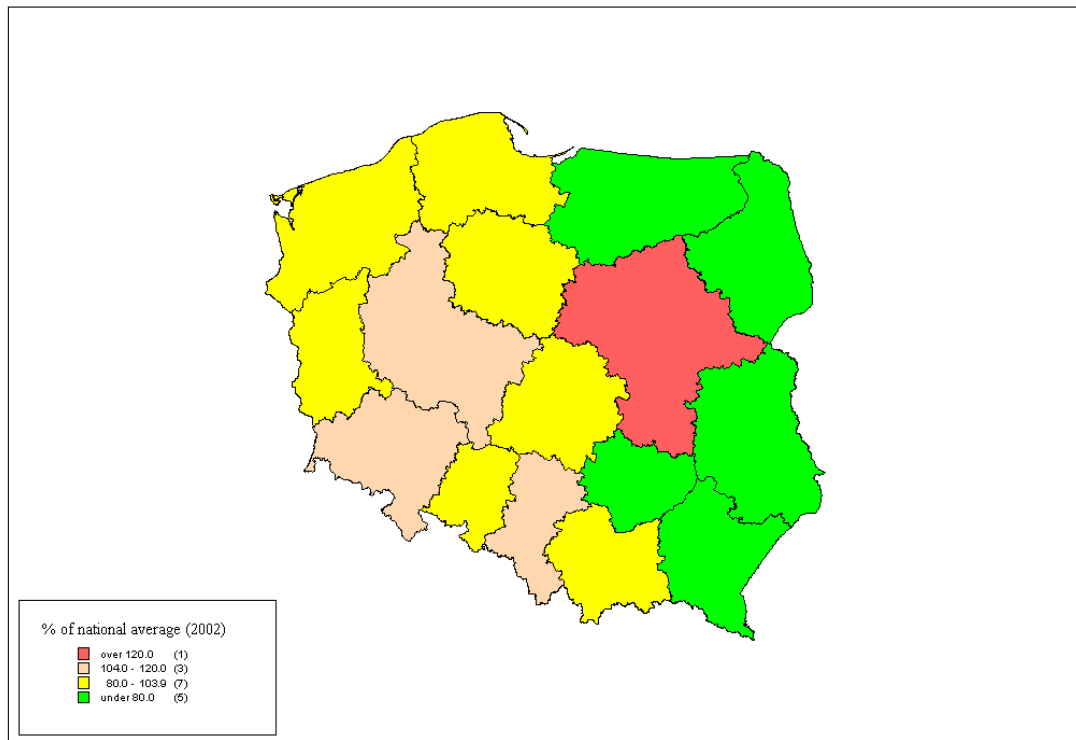


Figure 3. Differences in per capita GDP by voivodeship (NUTS 2)

A new model of Polish regional policy became a necessity after 1990 as a result of two basic factors. The transformation of the socio-economic system widened regional differences in the level of economic development. Of special importance was a high concentration of adverse effects of socio-economic changes in poorly developed regions, which manifested itself primarily in a rise in unemployment. This fact forced the government to undertake work on a new model of regional policy. The other factor intensifying the progress and scope of the work was the advancing process of integration with the European Union. Poland's application for membership in 1994 and the start of accession negotiations in 1998 made it necessary for the country to introduce the rules and mechanisms compatible with EU regional policy. The implementation of the new model of regional policy in Poland can be divided into two periods:

- (1) 2000-2003, the pre-accession period; it was the consequence of the territorial-administrative reform introduced in 1999 and the need to put Polish regional policy in order during accession talks with the European Union. The document setting the directions and scope of changes introduced at that time was the *Principles of Regional Development Support Act*, which came into force on 12 May 2000 and defined the new model of regional policy programming and implementation.
- (2) 2004-2006, Poland's first years as a member of the European Union; it is the consequence of Poland's joining the EU and therefore having, first, to draw up further strategic documents, such as the *National Development Plan (NDP)* providing a basis for negotiating a *Community Support Framework (CSF)* with the European Commission, and secondly, to fully adjust its regional policy to EU standards in order to gain access to the Structural Funds and the Cohesion Fund.

### 3.1. Regional policy in the pre-accession period, 2000-2003

The Constitution of the Polish Republic<sup>5</sup> states that the country's system rests on the principle of decentralisation and emphasises the crucial role of regional self-government in this respect. In fulfilment of these provisions of the new Constitution, a territorial-administrative reform was introduced on 1 January 1999, which was the first, indispensable, measure that helped to put Polish regional policy in order. It defined a clear-cut division of public

tasks among the relevant structures, including local government authorities at the poviats and voivodeship levels. As a result, voivodeships have been established as units of a mixed central government/self-government character and the chief entities carrying out regional policy. Under the *Voivodeship Self-Government Act* of 5 June 1998, the basic task of local government at this level is to conduct a policy of voivodeship development<sup>6</sup>. It also has a statutory duty, in accordance with the recommendations of the European Commission, to formulate a strategy of the voivodeship's all-round, balanced development and to conduct regional policy.

Another, and the most significant, step taken to systematise Polish regional policy and adjust it to EU standards was the *Principles of Regional Development Support Act* passed on 12 May 2000. It specifies the rules and forms of support for regional development, as well as standards of co-operation on this matter of the Council of Ministers and central government organs with local government authorities and social partners. Under the provisions of Article 3 of the Act, regional development is to be supported under the *National Strategy for Regional Development* (NSRD) and initiatives of a voivodeship's local government, in accordance with the principles of sustainable development. The Act defines basic organisational principles of Poland's regional policy:

- The government's basic document for the planning of its regional policy is the *National Strategy for Regional Development* (NSRD), which defines: the directions and priorities of State's regional development policy; the period for which the Strategy is to be effective; anticipated expenditure from public funds; principles and criteria of financial support for *Voivodeship Programmes* from the State budget; and estimates of the minimum extent to which individual tasks or *Voivodeship Programmes* have to be co-financed from budgets of local government units and by private entities. The Strategy is devised by the minister responsible for regional development (at present, it is the Minister of Economy, Labour and Social Policy) in co-operation with voivodeship governments and takes into account strategies of voivodeship development worked out by voivodeship diets. *The National Strategy for Regional Development, 2001-2006* was approved by the Council of Ministers and came into force on 28 December 2000.
- The government document defining a concrete dimension of regional policy, especially the scope and form of State support for local governments, is the *Assistance Programme*<sup>7</sup>, which provides details of the priorities defined in the NSRD. This document is the government's response to *Voivodeship Programmes* drawn up by the regions.
- The next step in the designing of regional policy is direct negotiations between the minister responsible for regional development and a voivodeship government represented by the voivodeship's marshal. The result is a *Voivodeship Contract*<sup>8</sup>, a legal document determining concrete terms of the State's financial support for the given voivodeship.

The *Principles of Regional Development Support Act* in its present form is, on the one hand, a legal document long awaited by local governments which defines the principles and forms of support by the State budget of multi-year investments and actions taken in the voivodeships. On the other hand, however, it does not ensure the regions sufficient means, which in the opinion of Gorzelak (2000) promotes the model of a centralised State where regions are endowed with limited powers and relatively scarce means of their own, while the central government is engrossed in a host of minor problems and tasks that would be part of the remit of strong regional governments in a decentralised system. The Act has also drawn much criticism for the following issues (Gilowska, 2001; Węclawowicz, 2002; Grosse, 2002a):

- There is excessive focus on formal procedures rather than on the substance of regional policy;
- A decisive role in regional policy is played by central administration through its influence on the financing of the *Voivodeship Contracts*. An average of 80% of the Contract funds is made up of the so-called government-indicated means. One can claim therefore that, the new model of regional policy notwithstanding, it is largely reduced to inter-regional activity with a minimum proportion of intra-regional measures.
- There is no equality in the central government-voivodeship government relations. It is only the central government side that has the right to terminate a contract, and it already made use of it in 2002.

This situation proves that it is necessary to amend the *Principles of Regional Development Support Act* in such a way as to give local government greater financial freedom and simplify the rules that have to be followed when preparing contract documentation, and hence to allow it to really pursue intra-regional policy.

Unfortunately, the programming and implementation of regional policy in Poland on the basis of the model presented above has been highly problematic. The *Assistance Programme for the years 2001-2002*, announced in December

2000 through an ordinance, was amended by the government as soon as April 2001. This caused the first delays and changes in the procedure of drawing up *Voivodeship Contracts*, which were finally concluded in June 2001. The decision to conclude the contracts was not well prepared and followed from political rather than economic considerations taking into account the situation of the State budget (Churski, 2004). The high budgetary deficit and the change of government in October 2001 made it even harder to execute the contracts concluded. As 2001 drew to a close with a mounting crisis in public finance, more and more contracted State-financed expenditures were being blocked at the instance of the Ministry of Finance<sup>9</sup>. As a consequence of those decisions and difficulties with getting the majority of EU programmes off the ground, the 2001 *Voivodeship Contracts* were only carried out in 73%<sup>10</sup>. The year 2002 brought a high State-budget deficit of nearly euro 10 billion<sup>11</sup>, which made it necessary to introduce corrections into the solutions adopted. Initially, the new government headed by Leszek Miller declared complete withdrawal from the *Contracts* concluded, but in March 2002 it announced that the euro 0.5 billion allocated by the previous government of Prime Minister Jerzy Buzek for the execution of the *Contracts* in 2002 were to be distributed half and half over the years 2002 and 2003. This meant that, first, the means earmarked for the 2002 tasks stipulated in the *Contracts* were cut down to about 50% of the initial budget. Secondly, the *Contracts* were prolonged until the end of 2003. In this situation the government suggested that local authorities should themselves select Contract tasks they wanted to continue in that year. Following its announcements, the government amended the *Assistance Programme* by declaring its validity for the years 2001-2003, and renegotiated all the *Voivodeship Contracts* concluded in 2001. Unfortunately, the whole procedure was again carried out initially in a state of uncertainty and then at a breakneck pace, which increased the possibility of mistakes. The amendment of the *Assistance Programme* was primarily intended to restrict the 2002 State expenditure resulting from the implementation of the *Contracts*<sup>12</sup>. However, it has also had serious political consequences. Regional self-government authorities can no longer trust the stability of agreements signed with the government. Multi-year planning involved in the contracting procedure has practically become groundless. As it turned out, agreements financed from the State budget should extend to a maximum of one year's horizon. Longer-lasting obligations of the budget, including those resulting from the *Contracts*, can only be treated as declarative and conditional, since the government can alter, or even annul, a *Contract* at any time. It should be emphasised, however, that despite these difficulties the level of execution of the *Contracts* was 95% in 2002 and about 90% in 2003.

The fact that no *Assistance Programme* for the next programming period has been published by March 2004, although the government had a statutory duty to draw up this document by 31 October 2003, may be due to either of two reasons. Either the delay results from the government being absorbed with the public finance repair programme, which is certainly an overriding priority given the state of the budget, or the government is planning to withdraw from the *Contracts* and replace them with *Integrated Operational Programmes of Regional Development* when Poland joins the European Union on 1 May 2004. Unfortunately, the government has taken no official stand on the matter. The lack of information makes the situation hard for local governments. They have to block a part of their budgetary means for a 'virtual' *Contract*, and they do not know if and when they are supposed to prepare their *Assistance Applications*. It is known unofficially that the government is drawing up an *Assistance Programme for 2004*, rather than for the expected years 2004-2006, i.e. the initial period of Poland's EU membership, in tune with the programming of the EU budget and the time horizon of the *Integrated Operational Programme for Regional Development*. This situation certainly does not help to sort out Polish regional policy.

### **3.2. Regional policy after Poland's accession to the European Union, 2004-2006**

Joining the European Union has made Poland eligible for much more generous EU financial assistance for regional policy measures than in the pre-accession period. However, this entails the adoption of Structural Funds procedures and principles, including the programming principle, that are new in the Polish conditions. As a new member, Poland has drawn up a strategic document, *The National Development Plan, 2004-2006*, adopted by the government on 15 January 2003. It has been prepared in accordance with the provisions of the EU Council Regulation No. 1260/1999. The measures it presents take into consideration the current objectives of EU regional policy (Objectives 1, 2 and 3) while reflecting the country's internal regional policy priorities, complete with the strategy of their implementation and the identification of financing sources. *The National Development Plan, 2004-2006* was submitted to the European Commission for approval. As a result of the negotiations conducted, on 31 July 2003 an agreement was reached on the structure of the Community Support Framework. The document defines priorities as well as the proportions of the Structural Funds and domestic means necessary to implement them. Its final version was handed over to the Polish side in December 2003<sup>13</sup>. *The National Development Plan* and

*Community Support Framework* are to be executed with the help of six operational programmes:

- Sectoral Operational Programme (SOP) of Human Resources Development,
- SOP of Increase in Enterprise Competitiveness,
- SOP of Restructuring and Modernisation of the Food Sector and Development of Rural Areas,
- Transport SOP,
- Integrated Operational Programme of Regional Development, and
- Financial Instrument for Fisheries Guidance SOP.

The list is complemented by an additional Technical Assistance Operational Programme, which is intended to ensure support, within the European law, for the most effective use of the means available to Poland under the Structural Funds. The Operational Programmes, in accordance with the EU Council Regulation No. 1260/1999, list priorities established for the long-term measures that are to be implemented using one or more Structural Funds, one or more Community Initiatives, and/or means from the European Investment Bank. From October 2003 the government conducted negotiations with the European Commission on the details of the measures and budgetary structure of the Operational Programmes and Single Programming Documents for Community Initiatives. At the close of February and the beginning of March 2004 the European Commission approved the Operational Programmes, which made it possible for the Polish Monitoring Committees to draw up the definitive versions of *Amendments to Operational Programmes* that specify precise measures taken in accordance with their objectives and budgets. The Amendments are not procedurally required to be endorsed by the European Commission, and have been sent to Brussels only by way of information. A formal authorisation by the Commission of the *Community Support Framework* together with all the executive documents will take place in May 2004 after Poland's accession to the European Union.

The priorities, directions and financial sources of Poland's regional policy in the initial period of its EU membership are defined in the *Integrated Operational Programme for Regional Development (IOPRD)*. The document gives the details of measures under the fifth development axis of the *National Development Plan*, "Enhancement of the growth potential of regions and prevention of the marginalisation of some areas", and the fourth development axis of the *Community Support Framework*, "Improving the conditions of regional development, including the development of rural areas". IOPRD priorities are in line with the objectives of the *National Strategy for Regional Development, 2001-2006* and the economic strategy of Leszek Miller's government, "Entrepreneurship - Development - Labour". The programme will be implemented in accordance with the rules of Structural Funds management and Polish regulations in the field of public assistance and the division of regional policy powers between the central government and the voivodeship governments. It has been established that the IOPRD shall be managed at the national level, but its execution will largely be a regional matter involving local government when instituting the various measures, and regional representatives of the central administration, viz. Voivodeship Offices, where auditing and monitoring are concerned<sup>14</sup>. This is a temporary solution; as of 2007, the preparation and implementation of regional development programmes will become the sole responsibility of the voivodeship government.

The strategic goal of the IOPRD is a repetition of the main objective of the *National Strategy for Regional Development, 2001-2006* and reads as follows: "Creating conditions for an increase in the competitiveness of regions and preventing the marginalisation of some areas in such a way as to promote long-term economic development of the country, its economic, social and territorial cohesion, and integration with the European Union". Also the priorities set in the IOPRD correspond to the respective priorities of the Strategy and the criteria following from two strategic pillars of the Community Support Framework: (1) strong and sustainable growth, and (2) an increase in employment (see Fig. 4). This solution allows full complementarity of measures taken under the national policy of regional development and the EU socio-economic cohesion policy that directly serves the objectives of the Strategy<sup>15</sup>. Within each priority, measures are listed that are to be carried out under concrete projects specified in a *Supplement to the Integrated Operational Programme of Regional Development*. The priorities and measures look as follows:

**PRIORITY I - Expansion and modernisation of infrastructure enhancing the competitiveness of regions**

- Measure 1 - *Modernisation and expansion of the regional transport system*: improvement in accessibility to trans-European and national roads, and modernisation of urban road systems.
- Measure 2 - *Environmental protection infrastructure*: improvement in environmental quality through protection of water and air, proper waste management, support for projects involving alternative energy sources, etc.
- Measure 3 - *Regional social infrastructure*: development of higher education base and health care.
- Measure 4 - *Development of tourism and culture*: modernisation and development of tourist facilities ensuring better access to tourist attractions and sites connected with cultural heritage.



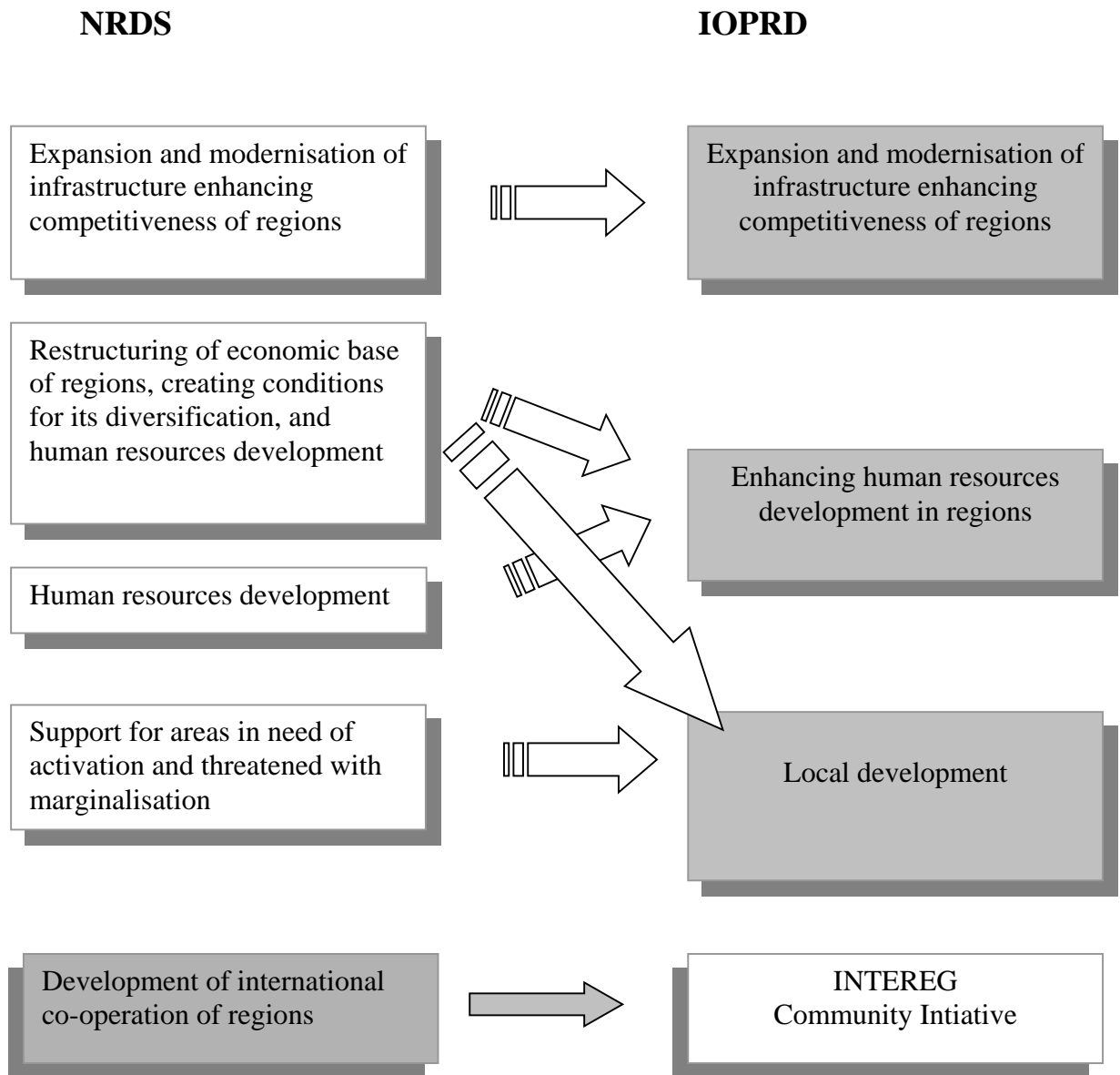


Figure 4. Relation of priorities of the National Development Strategy (NRDS) and those of the Integrated Operational Programme for Regional Development (IOPRD)

Measure 5 - *Infrastructure of information society*: development of information infrastructure ensuring access to the Internet and other forms of telecommunication, and thus allowing e-administration, e-security, e-health, and e-education.

Measure 6 - *Development of urban transport in metropolitan areas*: support for projects of urban transport expansion drawn up by metropolises, with special focus on purchase of stock.

## **PRIORITY II - Enhancing human resources development in regions**

Measure 1 - *Development of skills sought after on the regional labour market and opportunities for recurrent education in the region*: improvement in mobility of the population of working age and adjustment of its education and skills to the needs of the labour market.

Measure 2 - *Equal-opportunities scholarship programmes*: improving the accessibility of secondary and higher education to pupils from rural areas and those threatened with marginalisation through a system of scholarships.

Measure 3 - *Retraining of people leaving agriculture*: a non-farming job-creation scheme for rural areas, which will help speed up the restructuring of Polish agriculture.

Measure 4 - *Retraining of people threatened by restructuring processes*: creating opportunities for change of skills and occupation for people threatened with employment loss, ensuring them jobs in new segments of the labour market.

Measure 5 - *Promotion of entrepreneurship*: creating conditions for self-employment and creating jobs outside the traditional sectors.

Measure 6 - *Regional Innovative Strategies and the transfer of knowledge*: supporting action for co-operation between the research-and-development sector and the economy to increase the competitiveness of firms operating on the regional and local markets.

## **PRIORITY III - Local development**

Measure 1 - *Rural areas*: development of technical and social infrastructure stimulating local initiative, investment, and occupational mobility.

Measure 2 - *Areas under restructuring*: development of technical infrastructure and complex investment in areas with high unemployment, high rate of industrial employment, and substantial drop in industrial employment - the criteria set for industrial areas under Objective 2 of EU regional policy.

Measure 3 - *Degraded urban, post-industrial and post-military areas*: support for urban renewal and development of new functions in post-industrial and post-military areas.

Measure 4 - *Micro-businesses*: support for projects of development and further operation of new micro-businesses (employing not more than 9 workers and operating not longer than 3 years).

Measure 5 - *Local social infrastructure*: development of local educational and health-care infrastructure, especially in the context of diminishing discrepancies in this respect between urban and rural areas.

## **PRIORITY IV - Technical assistance**

Measure 1 - *Support for IOPRD implementation - limited expenses*: help with organising the assessment and selection of projects, and with setting up and serving the Monitoring Committee and Sub-committees, etc.

Measure 2 - *Support for IOPRD implementation - unlimited expenses*: help with the upgrading of skills of employees of the Managing Body, Marshal Offices, Voivodeship Offices, and Implementing Bodies, and with equipping those institutions with computer hardware, office devices, etc.

Measure 3 - *Information and promotion action*: help with preparing and publicising information materials using both, traditional forms of communication and Internet-based technologies.

The total IOPRD budget for the years 2004-2006 has been established at euro 4,230,000, of which 2,968,000, or 70%, are means from the EU Structural Funds with an 85% contribution from the European Regional Development Fund (ERDF) and a 15% contribution from the European Social Fund (ESF). The remaining 30% of the IOPRD budget is made up of domestic public funds, viz. budgetary means in the amount of euro 1,115,000 (with 346 million coming from the State budget and 769 million, or 70%, from local government budgets) as well as private funds contributing euro 146 million, or 3.5% of the entire IOPRD budget. By priority, its structure looks as follows:

Priority I - Expansion and modernisation of infrastructure enhancing the competitiveness of regions - 59.4%,

Priority II - Enhancing human resources development in regions - 14.7%,

Priority III - Local development - 24.5%,

Priority IV - Technical assistance - 1.4%.

The regional breakdown of the part of the IOPRD budget which comes as the Structural Funds support has been worked out on the basis of criteria set in the National Strategy for Regional Development and applied when dividing its means for the years 2001-2003. As a result, the breakdown of the IOPRD budget by voivodeship closely resembles that of the government's Assistance Programme, 2001-2003. The significant difference, however, is that the funds contributed by the European Community have swollen from the euro 654 million foreseen in the Assistance

Programme, 2001-2003 to euro 2,968,000 written in the IOPRD 2004-2006, which means a 4.5-fold increase in the EU spending. The applied algorithm rests on three criteria:

- (1) **The demographic criterion**, based on the assumption that Poland as a whole meets the criteria set for problem areas under Objective 1 of EU regional policy. Thus, 80% of the EU-supported IOPRD funds have been divided among the voivodeships (NUTS 2) in proportion to their populations.
- (2) **The economic-level criterion**. Taking into consideration wide differences in per capita GDP among the Polish voivodeships, 10% of the EU-supported IOPRD funds have been divided proportionately to the population in those voivodeships whose mean per capita GDP over the years 1997-1999 was below 80% of the national average. These are the voivodeships (NUTS 2) of Lublin, Podkarpace, Podlasie, Świętokrzyska Land, and Warmia-Mazuria.
- (3) **The unemployment criterion**. Because of very high unemployment rates, especially when broken down by poviats (NUTS 4), 10% of the EU-supported IOPRD funds have been allotted to those poviats in which the mean unemployment rate over the years 1999-2001 exceeded 150% of the national average. The number of poviats meeting this criterion is 72; they have a total of 5.3 million population.

The results of the division of funds using the above algorithm are presented in Fig. 7. The voivodeships having the biggest share in the funds include Mazovia, Silesia, Lower Silesia, and Wielkopolska, i.e., those that are relatively wealthy and economically advanced. However, the picture changes if we consider the figures in terms of voivodeship population. The distribution of the Structural Funds support per head clearly shows it to be concentrated in the poorest developed regions struggling with structural problems (see Fig. 7). They include Warmia-Mazuria, Świętokrzyska Land, Podkarpace, Podlasie, Lublin, West Pomerania, and Lubuska Land. By comparison, the index of the share of Mazovia, Silesia and Wielkopolska is 80 (assuming Poland = 100).

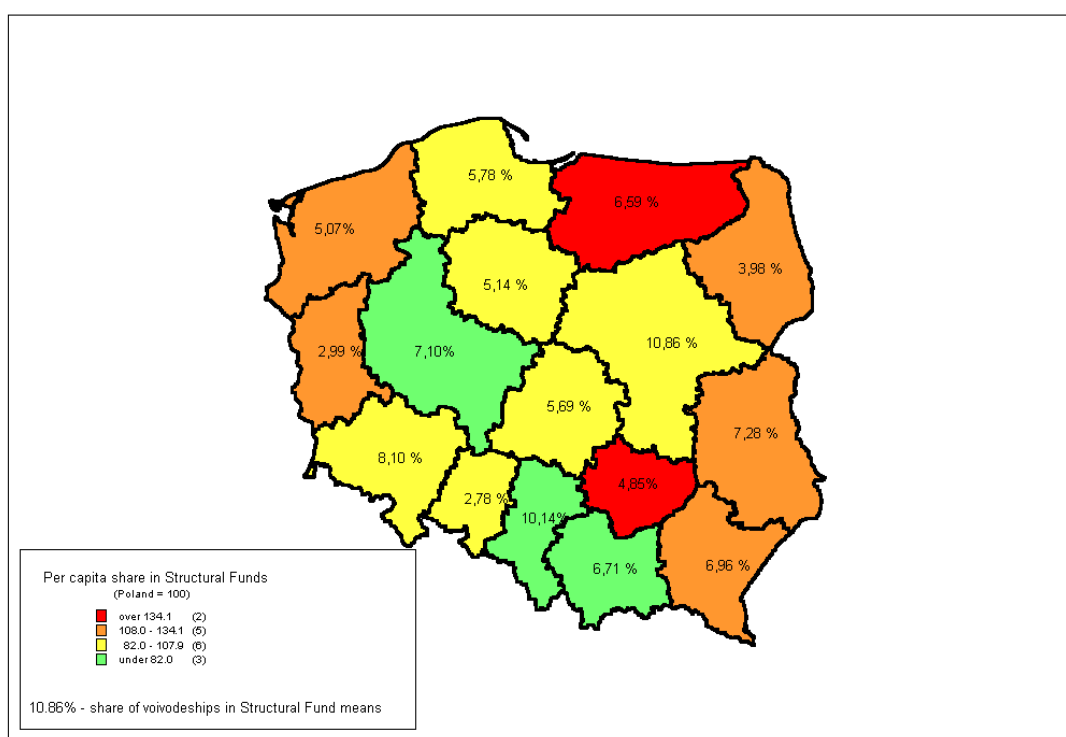


Figure 5. Indicative division of mean from the Structural Funds among the voivodeships (Integrated Operational Programme for Regional Development, 2004-2006)

It should be kept in mind, however, that the division proposed in the IOPRD is only indicative, because whether or not these means are going to be absorbed is up to the assistance targets, who must satisfy a lot of conditions. To make use of the indicative level of assistance, the beneficiary will have to co-finance the given project, and first of all to

prepare it properly and carry out efficiently, and the project itself must satisfy the criteria of being effective and improving the competitiveness of the region involved. One can only hope that the Polish regions will be able to face the challenge and make the most of the opportunity to draw on the Structural Funds under EU regional policy.

#### 4. Conclusions

The analysis conducted clearly shows that Poland's accession to the European Union has created new conditions for the Polish model of regional policy programming and implementation. In the model employed so far, no distinction is made between the planning, negotiating and implementing of programmes co-financed from the Structural Funds, and those funded solely from domestic means, which may pose a serious problem in the period 2004-2006. Also, there are no statutory regulations specifying the process of preparing and executing the *National Development Plan, 2004-2006*. They are not provided for by the *Principles of Regional Development Support Act* of 12 May 2000, currently in force, which restricts itself to defining the 'domestic' model of regional policy based on the *Voivodeship Contract* instrument. This state of affairs is due to delays in the legislative work of Parliament. The *National Development Plan Bill*, endorsed by the Council of Ministers on 28 October 2003, went to Parliament on 12 November 2003. In April 2004 it was still in the Parliamentary Committee for the Government Draft of the National Development Plan Act. This fact and the lack of Parliament's decision on the government draft of the *Procedure in Cases Involving Public Assistance Act* are a serious legal-organisational obstacle to the smooth operation of the new model of regional policy in Poland, including access to the Structural Funds support.

The new *National Development Plan Act* foresees the introduction of a flexible mechanism combining domestic means with those of the Structural Funds and the Cohesion Fund into a single system fully conforming to EU legislation in this respect. It corresponds to the model presented in this paper and well-known in the member states, which provides that most development programmes should be included in the structure of the *National Development Plan* and be carried out with the help of *Operational Programmes* and *Amendments* to them. The draft of the Act provides for the extinction of the *Principles of Regional Development Support Act* of 12 May 2000 the moment the new document has come into force. This is a commendable step: the transitional model worked out for the pre-accession period will thus be replaced with another, ultimate one after Poland has joined the European Union. In the target model the new role of the *Voivodeship Contract* has been defined as a basic instrument of regional development support taking the form of an agreement between the government and self-governing voivodeships concerning:

- the execution of *Operational Programmes* co-financed from voivodeship-targeted Community means, and
- the execution of *Operational Programmes* co-financed from domestic voivodeship-targeted means.

It is also assumed that the year 2004 is going to be a special period in which *Voivodeship Contracts* will still be signed according to the present rules after the government has published its *Assistance Programme 2004*. This means that they are going to be carried out in accordance with the 'old' rules parallel to measures taken under the *Integrated Operational Programme of Regional Development*.

When assessing the process of implementation of the new model of regional policy in Poland, one has to state that it is being carried out without due care and in great haste occasioned by the date of Poland's entry into the European Union. Programme documents are being drawn up before general documents have been endorsed, legal regulations are lacking in areas that define crucial conditions for pursuing regional policy (i.e., public assistance<sup>16</sup>), and domestic and Community means earmarked for development measures are being programmed separately. One can only hope that all these issues will have been sorted out presently to meet the requirements of the European Commission and expectations of the self-governing voivodeships, so that in the next programming period the organisation and execution of regional policy in Poland may only be considered commendable.

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## Footnotes

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- <sup>1</sup> The Principles of Regional Development Support Act of 12 May 2000, Law Gazette no. 48/2000, position 550.
- <sup>2</sup> Poland completed negotiating its *National Development Plan, 2004-2006* with the European Commission on 31 July 2003, which opened the formal way for the negotiation of the CSF.
- <sup>3</sup> The Council of Ministers Ordinance no. 105 of 28 December 2000 on the adoption of *NSRD 2001-2006* (Monitor Polski no. 43/2000, position 851).
- <sup>4</sup> Following the rule set for the applicant states, until they have joined the European Union on 1 May 2004 these units were termed NTS to distinguish them from the NUTS system in force in the EU. In the early 2004 the Ministry of Economy, Labour and Social Policy prepared a modification in the NUTS division. The new proposals foresee the delimitation of six units at the NUTS 1 level and an increase in the NUTS 3 units from 44 to about 60, which will be in accordance with Ordinance No. 1059/2003 of 26 May 2003 of the European Parliament and the Council of the European Union on establishing a common classification of Territorial Units for Statistics (NUTS) (cf. *Prace Międzyresortowego ... 2004*).
- <sup>5</sup> Passed on 2 April 1997 by the National Assembly.
- <sup>6</sup> The Voivodeship Self-Government Act of 5 June 1998, Law Gazette no. 91/1998, position 576.
- <sup>7</sup> The Council of Ministers' Resolution of 28 Dec. 2000 on the adoption of the *Assistance Programme for the years 2001-2002*, Law Gazette no. 122/2000, position 1326, with later amendments.
- <sup>8</sup> The government and voivodeship governments concluded their first *Voivodeship Contracts* on 19 and 22 June 2001.
- <sup>9</sup> The Council of Ministers Ordinance of 23 October 2001 on the Blocking of Some Expenses in the 2001 State Budget (Law Gazette no. 125/2001, position 1373) and the Council of Ministers Ordinance of 29 December 2001 changing the former ordinance (Law Gazette no. 154/2001, position 1807).
- <sup>10</sup> *Report on the implementation of Voivodeship Contracts in the year 2001*. The Ministry of the Economy, April 2002.
- <sup>11</sup> The exchange rate on 3 January 2004 was 4.70 zlotys to the euro.
- <sup>12</sup> Among the things struck from the *Assistance Programme* were investments carried out by individual Ministries as well as means at the disposal of the voivodes designed to help finance the investments and investment purchases of local government units.
- <sup>13</sup> The Council of Ministers approved the Community Support Framework at a meeting on 23 December 2003.
- <sup>14</sup> The Managing Body is the Department of Regional Development Programme Implementation in the Ministry of Economy, Labour and Social Policy; Intermediate Bodies, Voivodeship Offices; and Steering Committees, units set up by Marshal Offices headed by a voivodeship's Marshal with the Voivode as his deputy.
- <sup>15</sup> The IOPRD also makes reference to long-range documents, e.g., *Poland 2025. A long-term strategy of steady and sustainable development*, or *A conception of Poland's spatial development policy*.
- <sup>16</sup> By April 2004, Parliament has still failed to pass the new *Procedure in Cases Involving Public Assistance Act* conforming to the EU criteria. This omission has delayed the contracting of projects applying for EU assistance.