European dimension of Eastern Poland’s Development in 2014-2020

Europejski wymiar rozwoju Polski Wschodniej w latach 2014-2020

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Summary
This paper comprise inter alia introduction to the subject, which presents the basics of the European Cohesion Policy. The further sections explores the evolution of the aforementioned policy over the recent years, which arouse from theoretical and empirical inspirations of new economic geography. In light of the above, it attempts to explain the main regularities of socio-economic development of voivoidships in Eastern Poland as well as rationale and recommendations for structural interventions of the European Union in Eastern Poland. The paper highlights the need to determine why and on what terms and conditions the structural funds and the cohesion Fund should be allocated in Eastern Poland in the future programming period 2014-2020.

Keywords: cohesion policy, regional policy, regional development, Eastern Poland

Streszczenie
Opracowanie składa się między innymi z części wstępnej, w której przedstawiono podstawy europejskiej polityki spójności. W kolejnej części opisano ewolucję tej polityki w ostatnich kilkunastu latach, wynikającą z inspiracji teoretycznych i praktycznych nowej geografii ekonomicznej. Na tym tle scharakteryzowano najważniejsze prawidłowości rozwoju społeczno-gospodarczego województw Polski Wschodniej oraz przesłanki i rekomendacje interven- cji strukturalnej Unii Europejskiej w Polsce Wschodniej. Podstawowym przesłaniem tego opracowania jest określenie dlaczego i na jakich warunkach powinny być alokowane w Polsce Wschodniej fundusze strukturalne i Fundusz Spójności w kolejnym wieloletnim okresie programowania, obejmującym lata 2014-2020.

Słowa kluczowe: polityka spójności, polityka regionalna, rozwój regionalny, Polska Wschodnia

Keywords: cohesion policy, regional policy, regional development, Eastern Poland
1. Foundations of the European Cohesion Policy (ECP)

Since the 1988 Delors reform, the European Union has programmed its budget and policies in a multi-annual time horizon. The previous multi-annual budgetary perspectives covered the following periods: 1989-1993, 1994-1999 and 2000-2006. The current financial framework encompasses the years 2007-2013, and the subsequent one will cover 2014-2020. Annual EU budgets are adopted on this basis and they must be balanced in terms of revenues and expenditures.

This solution is considered to be highly conducive for shaping the EU development policy as it allows member states to effectively implement structural measures with a time perspective in view rather than on the basis of current factors. For this reason, the Treaty of Lisbon, which came into force in December 2009 after all member states ratified it, provided that the European Union would program its policies and budgets on a multi-annual basis with a time frame of at least five years. After 2020, as it is quite commonly believed, such subsequent perspectives will cover 5-year periods as they will correspond with the terms of office of the key elected EU institutions, i.e. European Parliament, European Commission, Committee of the Regions, European Economic and Social Committee, European Court of Justice and Court of Auditors. Generally speaking, the countries which are the greatest beneficiaries of European policies strive for a long-term planning horizon, i.e. seven years, whereas net contributors to the EU budget strive for a shorter framework of five years.

The European Cohesion Policy (ECP)\(^1\) is the essential source of EU financing for developmental initiatives. After the Delors reform, the share of the ECP in the Community budgetary expenditures increased from around 5% to more than 1/3. Unlike the Common Agricultural Policy (CAP), which currently represents a comparable item of expenditures (socially oriented in the case of the first pillar), the European Cohesion Policy influences the demand (as public spending increases, the economic situation improves), but, more importantly, the ECP has an effect on supply as it improves the quality of infrastructure, the quality of human capital, the factors of production in enterprises, the quality of business environment and conditions for local development. Countries which are beneficiaries of the ECP have introduced modern solutions in areas such as programming, financing, governance, monitoring, evaluation and project selection.

\(^{1}\) This sphere of Community intervention uses three notions, treated on a nearly equal footing: (1) structural policy – this is the oldest term, coined in 1957 in connection with the Treaty of Rome establishing the European Community and related to the support for structural change; (2) regional policy – this term focuses on regional development as the main target; the selection of thematic areas is performed on the basis of regional factors and a large proportion of funds are managed at the regional level, and (3) cohesion policy, which indicates the key objective of interventions, i.e. reducing territorial disparities.
intervention focused on supporting regional development and NUTS 2 areas (Nomenclature of Units for Territorial Statistics) were the key territorial units implementing that policy whereas an auxiliary function was assigned to NUTS 3 areas².

Within the European Cohesion Policy, Community Objectives and Initiatives are distinguished. Funds untapped within Objectives, which constituted over 90% of allocations in specific multi-annual periods, were transferred to member states under the so-called ‘national envelopes’ whereas Community Initiatives, focused on horizontal priorities, remained within the discretion of the European Commission. The new generation of Community Initiatives, introduced in 2007, sources funds from country-level allocations. Regions covered by the Convergence objective, i.e. mostly all the poorest areas which draw approx. ¾ of the ECP budgetary funding, are ECP priorities. They are selected as recipients of structural funds on the basis of GDP per capita at Purchasing Power Parity (PPP) not exceeding 75% of the EU average, at the NUTS 2 level. In the case of the Cohesion Fund, allocated at country level, funding is available on the basis of the Gross National Income (GNI) per capita at PPP not exceeding 90% of the EU average.

Within its cohesion policy, the European Union currently uses two structural funds: the European Regional Development Fund (ERDF) and the European Social Fund (ESF) and, additionally, the Cohesion Fund. Those funds offer non-returnable subsidies (grants) which must be matched by own funds provided by beneficiary countries and regions – match funding must be at least 15% in the case of the Convergence objectives. Soft loans play a supplementary role (with interest rates below the market rates) whereas credit guarantees are granted primarily through the European Investment Bank (EIB). Despite the appeal for a broader use, financial engineering instruments such as various partnerships (public-private partnerships and public-social partnerships) play a very limited role. This probably stems from the complexity of the European Cohesion Policy which requires that local funding (often coming from multiple sources) must be combined with EU funding.

Since the money from the four structural funds and the Cohesion Fund cannot be easily used in an effective and efficient way (partly due to the absorption capacity), the average annual transfer limit was initially set at 4% of the beneficiary country’s GDP. In 2007-2013 the average annual thresholds for transfers from the European Regional Development Fund, European Social Fund, European Agricultural Fund for Rural Development (only the equivalent of the former Guidance Section

² The European Union uses a universal regionalisation of member states and candidate countries into five levels known as NUTS 1, NUTS 2 and NUTS 3 (Nomenclature of Units for Territorial Statistics) as well as LAU 1 and LAU 2 (Local Administration Units), which are labelled as NTS in Poland (Nomenklatura Terytorialna Statystyki). At the respective NUTS levels the following numbers of units were identified within the European Union: 97, 271 and 1303. In Poland, NUTS 1 areas are macroregions (6 units), NUTS 2 areas are voivodships (16 units), and NUTS 3 areas are subregions (66 units). LAU 1 are poviats whereas LAU 2 are cities/towns and municipalities.
of the European Agriculture Guidance and Guarantee Fund), European Fisheries Fund and the Cohesion Fund, were differentiated on the basis of National Income per capita at PPP, which for Poland was equivalent to 3.71% of its GDP³.

During the programming periods of 1994-1999 and 2000-2006 in order to receive support a beneficiary member state was required to prepare a multi-annual strategy called the ‘National Development Plan’. After negotiations with the European Commission, a joint document was prepared and signed by the European Commission and the government of the member state concerned. The document was called ‘Community Support Framework’. Starting from 2007, in follow up of that policy Strategic Guidance on Cohesion has been prepared by the European Commission and approved by the European Parliament. The Guidance contained three thematic guidelines: (1) improving the attractiveness of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential; (2) encouraging knowledge and innovation for growth, and (3) creating more and better jobs. Additionally, three territorial guidelines were formulated: (1) the contribution of cities to growth and jobs; (2) supporting the economic diversification of rural areas, and (3) cooperation in three dimensions: cross-border, transnational and interregional.

On this basis, all member states and the European Commission agreed a document called the ‘National Strategic Reference Framework’ (NSRF) for 2007-2013, which defined a multi-annual strategy for utilising ECP funding in each country. The NSRF was implemented through operational programmes: sectoral, regional and macro-regional programmes, cross-border cooperation and technical aid. Traditionally, the European Union distinguished three leading intervention directions within that policy: infrastructure, human capital and the enterprise sector. It was crucial to set the proportions of those expenditures in a way that would be most conducive to growth.

One of the essential assumptions behind the European Cohesion Policy is the stability of legislation and operational solutions during the multi-annual programming period. Meanwhile, annual budgetary tranches within various funds generally rely on the assumptions adopted for the multi-annual perspective. This ensures certainty and stability of Community funding, which is particularly important for less affluent EU countries, notably Poland. In order to improve flexibility in the implementation of the European Cohesion Policy, an optional possibility was introduced for member states in 2007-2013. They could establish two intervention reserves: the first one, called the Performance Reserve, was earmarked for programmes with the highest efficiency of implementation whereas the other one was a Contingency Reserve. Regulations were modified for the first

time since 2009 due to the global economic crisis in order to target the ECP more effectively towards crisis interventions.

2. Evolution of the European Cohesion Policy

Important theoretical and practical implications for the discussion on cohesion policy came in early 1990s from the *New Economic Geography* doctrine which drew attention to the importance of location and space in the economic development of countries and regions. Works by P. Krugman, M. Fujita, A. Venables and other authors drew attention back to the significance of geographic space in macroeconomic discussions and significantly reinforced the argumentation supporting the idea of conducting development policy at the regional level. The significance of the territorial approach in socio-economic development was confirmed in the fact that P. Krugman was awarded the Nobel Prize in economics in 2008.

Map 1. Gross Domestic Product per square kilometre in Central Europe in 2008


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International organisations such as the OECD and the World Bank have attempted to translate the theoretical currents of the New Economic Geography into regional policy solutions. The World Bank stressed the need for radical re-definition of development policy foundations, accentuating the importance of the largest urban centres in development policy\(^6\). The values of GDP per area (square kilometre) reflect the leading role of major cities for generating the national income. In Central Europe, Warsaw has a strong position and it competes against Berlin, Vienna, Prague and Budapest (Map 1). The largest urban centres in Central Europe have a very weak position in comparison with those of Western Europe. Eastern Poland is virtually flat on Map 1, which reflects the marginal importance of its development potential when considered on the EU scale.

**Map 2.** Gross Domestic Product per square kilometre in Poland in 2008

![Map 2: Gross Domestic Product per square kilometre in Poland in 2008](image)


Development potential is concentrated in the largest urban centres such as Warsaw as well as Gdańsk, Katowice, Kraków, Łódź, Poznań and Wrocław (Map 2). Regions of Eastern Poland are in a particularly unfavourable position due to their poorer economic potential, with the highest potential being concentrated in the capital cities of the eastern voivodships (provinces): Białystok, Kielce, Lu-

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Blin, Olsztyn and Rzeszów. The economic potential located directly beyond Poland’s eastern border is marginal.

The OECD, an organisation of highly developed countries in the world, attaches great importance to the shaping of modern public policies in its member states, including regional policy. Ministers responsible for regional countries in the OECD member states regularly meet at conferences, held every five years. The dossier prepared for the most recent of those conferences, held in Paris in 2009, contained proposals for the new regional development paradigm, comprising, among others: objectives, territorial units of intervention, nature of strategy, instruments and actors (Table 1). In recent years, the catalogue of key policy notions included terms such as information society, knowledge-based economy, information and communication technologies (ICT), learning regions and diffusion of development processes. As a result, we are dealing with a shift in the regional policy from its traditional equalising function towards unearthing the endogenous development potential of various areas. Regional policy focuses on leveraging endogenous potentials, eliminating developmental barriers and, more generally, on applying modern factors of socio-economic growth.

Table 1. Old and new regional policy paradigm, according to OECD

<table>
<thead>
<tr>
<th>Feature</th>
<th>Old</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectives</td>
<td>Periodic compensation in under-developed regions</td>
<td>Utilisation of capabilities and enhancement of competitiveness</td>
</tr>
<tr>
<td>Intervention unit</td>
<td>Administrative units</td>
<td>Functional areas of the economy</td>
</tr>
<tr>
<td>Strategies</td>
<td>Sectoral approach</td>
<td>Integrated development projects</td>
</tr>
<tr>
<td>Tools</td>
<td>Subsidies and state aid</td>
<td>Mix of hard and soft capital</td>
</tr>
<tr>
<td>Actors</td>
<td>Central government</td>
<td>Multilevel public governance</td>
</tr>
</tbody>
</table>


In recent years the European Cohesion Policy has been widely criticised in scientific and journalistic sources. In a situation where member states’ contributions are the essential source of the Community budget, the EU responded to those challenges and to the growing criticism of the ECP by defending that policy. In many member states which are net contributors to the Community budget some political parties and forces suggest savings on financial transfers to the EU for political reasons. Therefore, we might see a negative scenario whereby the scale of interven-

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tions under the ECP will be considerably reduced under the pretence of its low efficiency and unavailability of match funding from beneficiary countries.

This danger has been noticed by the DG REGIO of the European Commission, by many experts as well as member states and regions which widely benefit from those financial transfers. Given its structure, the European Parliament generally acts as an ally to the European Cohesion Policy, trying to combat any potential deterioration of the ECP. Attempts at preventing the erosion of the ECP often lead to uncoordinated activities and such activities sometimes generate additional costs and undermine the internal logic of the ECP. The main directions of such activities include:

Expansion of the political base of ECP beneficiaries. Already in 2007 an assumption was adopted that all NUTS 2 Community regions would benefit from financial transfers. In the draft regulations for 2014-2020 it was proposed to introduce a new category of transitional regions with a GDP per capita at PPP ranging from 75% to 90% of the EU-27 average. Those countries and regions became active defenders of that policy. As a side effect, we see a reduction of financial streams for the poorest EU regions and countries.

Fast-paced adjustment of the ECP to the radical change of the context of socio-economic development across Europe and worldwide. This is reflected in enormous flexibility and efficiency of that policy in taking over and adapting new ideas such as knowledge-based economy, information society, information and communication technologies (ICT), learning regions, innovation etc. This leads to the fact that the ECP is subordinated to the Europe 2020 strategy and that traditional directions of ECP intervention in infrastructure are being constrained. Moreover, the structure of ECP expenditures in Community regions and countries is defined at the EU level.

Eliminating irregularities in implementation. Since various cases of irregularities are widely covered by the media, the scope of various activities reducing mismanagement and fraud has been systematically expanding. This is reflected, among others, in broader scope of monitoring, whether material or financial, development of evaluation, whether ex ante, ongoing or ex post, greater appreciation of audit, a wider scope of control, including direct European Commission’s control over major projects. This means, however, that implementation procedures are slowed down, administrative costs are increased and the degree of regulation is generally excessive and very distant from the idea of simplification.

Operationalisation of the notion of territorial cohesion, which was laid out in a treaty starting from 1 December 2009. The European Cohesion Policy assumes that the following instruments will be introduced on a much broader scale starting from 2014: urban dimension, local development, and territorial impact projections. The issues of accessibility, connectivity and territorial standards of services are becoming crucial. As a result, the European Cohesion Policy will be in-
creasingly present in local and regional frameworks within the European Union, thus becoming the most important ally of the civil society.

Such flexible adaptation of the European Cohesion Policy to new challenges will probably help to continue it into 2014-2020, in a suitably modified shape. However, this considerably expands the potential for ECP criticism in future since it will become even more eclectic in 2014-2020 than it used to be.

3. Development patterns of Eastern Poland

Gross Domestic Product (GDP) per capita adjusted for Purchasing Power Parity (PPP) continues to be the key measure of socio-economic development within the European Union. In Poland, this economic category has been computed for sixteen voivodships (provinces) since 1997, and the most recent data relate to 2009 (Table 1). Those data confirm the highly unfavourable situation of the regions located in Eastern Poland. Since 2009, those regions have occupied the last five positions in the country, with the aforementioned ratio ranging from 47.2% in Świętokrzyskie to 40.9% in Lubelskie versus the EU-27 average. The changes occurring in Eastern Poland in 1997-2009 were much less advanced than in the country as a whole. The most significant improvements versus EU-27 were recorded for Świętokrzyskie (by 13.9 percentage points) whereas the other voivodships leapt by less than 10 points, with Lubelskie improving merely by 7.3 points. This situation is reflected in fact that the gap between voivodship associated with large urban centres and other regions of Poland has been systematically widening. Since this trend has established itself firmly in Poland, one should not expect any radical changes in developmental trajectories of Eastern Poland’s regions in this decade.

Analysis of the GDP per capita at PPP for NUTS 3 regions (Nomenclature of Units for Territorial Statistics) confirms that subregions associated with voivodship capitals are in a much better position whereas a location at the external EU borders has negative consequences. In 2009 the values of GDP per capita at PPP versus EU-27 in NUTS 3 subregions associated with capital cities of Eastern Poland were as follows: Białostocki – 52.5%, Kielecki – 51.0%, Lubelski – 53.4%, Olsztyński – 50.1% and Rzeszowski – 48.8%. The respective figures for the remaining NUTS 3 subregions were as follows: Białski – 35.0%, Chełmsko-Zamojski – 34.7%, Puławski – 34.4%, Krośnieński – 36.6%, Przemyski – 33.3%, Tarnobrzeski – 43.9%, Sandomiersko-Jędrzejowski – 41.2%, Łomżyński – 38.7%, Suwalski – 39.8%, Elbląski – 42.9% and Ełcki – 37.2%. Overall, the frontier subregions are among the weakest of the 66 NUTS 3 subregions identified in Poland.
Table 2. GDP per capita in purchasing power parity standards compared with EU-27=100 in 1997-2009

<table>
<thead>
<tr>
<th>Region</th>
<th>1997</th>
<th>2008</th>
<th>2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mazowieckie</td>
<td>62.9</td>
<td>89.9</td>
<td>97.3</td>
<td>+34.4</td>
</tr>
<tr>
<td>Śląskie</td>
<td>49.9</td>
<td>61.6</td>
<td>65.2</td>
<td>+15.3</td>
</tr>
<tr>
<td>Wielkopolskie</td>
<td>46.3</td>
<td>59.5</td>
<td>64.6</td>
<td>+18.3</td>
</tr>
<tr>
<td>Dolnośląskie</td>
<td>46.0</td>
<td>61.3</td>
<td>66.3</td>
<td>+20.3</td>
</tr>
<tr>
<td>Zachodniopomorskie</td>
<td>44.3</td>
<td>51.7</td>
<td>53.4</td>
<td>+9.1</td>
</tr>
<tr>
<td>Pomorskie</td>
<td>43.5</td>
<td>54.1</td>
<td>59.2</td>
<td>+15.7</td>
</tr>
<tr>
<td>Łubuskie</td>
<td>40.5</td>
<td>48.9</td>
<td>51.9</td>
<td>+11.4</td>
</tr>
<tr>
<td>Opolskie</td>
<td>40.1</td>
<td>48.3</td>
<td>49.7</td>
<td>+9.6</td>
</tr>
<tr>
<td>Kujawsko-Pomorskie</td>
<td>39.0</td>
<td>49.2</td>
<td>51.5</td>
<td>+12.5</td>
</tr>
<tr>
<td>Łódzkie</td>
<td>39.0</td>
<td>53.1</td>
<td>55.5</td>
<td>+16.1</td>
</tr>
<tr>
<td>Małopolskie</td>
<td>39.0</td>
<td>49.2</td>
<td>52.2</td>
<td>+13.2</td>
</tr>
<tr>
<td>Podlaskie</td>
<td>35.4</td>
<td>41.6</td>
<td>44.8</td>
<td>+9.4</td>
</tr>
<tr>
<td>Warmińsko-Mazurskie</td>
<td>35.2</td>
<td>42.3</td>
<td>44.9</td>
<td>+9.7</td>
</tr>
<tr>
<td>Lubelskie</td>
<td>33.6</td>
<td>39.6</td>
<td>40.9</td>
<td>+7.3</td>
</tr>
<tr>
<td>Podkarpackie</td>
<td>33.4</td>
<td>39.3</td>
<td>41.6</td>
<td>+8.2</td>
</tr>
<tr>
<td>Świętokrzyskie</td>
<td>33.3</td>
<td>45.6</td>
<td>47.2</td>
<td>+13.9</td>
</tr>
<tr>
<td>Poland</td>
<td>44.2</td>
<td>57.0</td>
<td>60.8</td>
<td>+16.6</td>
</tr>
</tbody>
</table>


The position of Poland’s regions in the European Union versus the remaining NUTS 2 areas at the end of the first decade of the 21st century is important role and this was emphasised in detail in the Fifth Cohesion Report. Generally speaking, all Poland’s voivodships (provinces) except Mazowieckie occupy very low positions, with all of the voivodships of Eastern Poland usually lagging far behind on about a half of 15 indices compiled from the data. Particularly disappointing are the highly unfavourable measures reflecting the degree of modernity of the economy (productivity, innovativeness, competitiveness, R&D expenditure and employment in R&D, employment in the high-tech sector).

Table 3. Position of Polish regions, especially from Eastern Poland in fifth cohesion report

<table>
<thead>
<tr>
<th>No.</th>
<th>Index</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Labour productivity in industry and services in 2007 – 6 levels</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>2</td>
<td>13 L Pd Pk Ś WM</td>
</tr>
<tr>
<td>2</td>
<td>Quality of government in 2009 – 5 levels</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9 L Pk Ś WM</td>
<td>7 Pd</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Households with broadband connection in 2009 – 6 levels</td>
<td>-</td>
<td>-</td>
<td>12 WM</td>
<td>4 L Pd Pk Ś</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>Competitiveness index in 2010 – 6 levels</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>5</td>
<td>8 L Pd Pk Ś</td>
<td>1 WM</td>
</tr>
<tr>
<td>5</td>
<td>Population aged 30-34 with tertiary education in 2008 – 5 levels</td>
<td>1</td>
<td>-</td>
<td>10 L Pd Pk Ś</td>
<td>5 WM</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6</td>
<td>Employment rate 20-64 in 2008 – 6 levels</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>5 Pd</td>
<td>9 L Pk Ś</td>
<td>1</td>
</tr>
<tr>
<td>7</td>
<td>Early school leavers aged 18-24 in 2007-2009 – 6 levels</td>
<td>14 L Pd Pk Ś WM</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>8</td>
<td>Expenditures on R&amp;D In 2007 – 5 levels</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>5 L</td>
<td>10 Pd Pk Ś WM</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Unemployment rate in 2008 – 5 levels</td>
<td>-</td>
<td>1</td>
<td>8</td>
<td>4 Pd</td>
<td>3 L Pk Ś WM</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Population at risk of poverty in 2008 – 5 levels</td>
<td>-</td>
<td>2</td>
<td>3</td>
<td>7 Pd</td>
<td>4 L Pk Ś WM</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Urban waste water treatment capacity in 2007 – 6 levels</td>
<td>7 L Pd Ś</td>
<td>1</td>
<td>2 Pk</td>
<td>4 WM</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>12</td>
<td>Public investment per capita in purchasing power parity in 2002-2006 – 6 levels</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>14 L Pd Pk Ś WM</td>
</tr>
<tr>
<td>13</td>
<td>Regional innovation index 2006 – 5 levels</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5</td>
<td>11 L Pd Pk Ś WM</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Human resources in science and technology 2008 – 5 levels</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>9 L Pd Pk Ś WM</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Employment in high technology sectors in 2008 – 5 levels</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>6</td>
<td>7 L Pd Pk Ś WM</td>
<td></td>
</tr>
</tbody>
</table>

Source: *Investing in Europe’s future. Fifth report on economic, social and territorial cohesion*, European Commission, Brussels, November 2010 and *Investing in Europe’s future. Fifth report on economic, social and territorial cohesion. Foreword. Summary. Conclusions. Maps and Comments*, European Commission, Brussels, November 2010. Indicator concerning quality of government was deleted from final version of cohesion report. The best level is first, the worst are sixth and fifth.
This particularly unfavourable situation of the voivodships of Eastern Poland was noticed at the EU level: in 2006, directly before the accession of Bulgaria and Romania, those voivodships represented the five poorest NUTS 2 areas in the whole of the European Union. For this reason, the key document, i.e. the 2007-2013 National Strategic Reference Framework for Poland, proposed a dedicated instrument called Operational Programme ‘Development of Eastern Poland’\(^\text{10}\). First, the 2020 Development Strategy for Eastern Poland was prepared, with parallel work being conducted on the relevant macroregional operational programme. The following were identified as priority intervention axes for the Operational Programme: (1) modern economy, (2) information society infrastructure, (3) voivodship-based growth centres, (4) transport infrastructure, (5) sustainable development of tourist potential based on natural conditions, and (6) technical aid.

4. Premises and recommendations concerning the EU structural interventions in Eastern Poland

To begin with, attention must be drawn to key considerations applicable to the new generation of the European Cohesion Policy. It is important to answer why regional policy has not reduced inequalities\(^\text{11}\):

- funds may not be sufficient compared to driving forces and exiting problems,
- regional policy in bureaucratic and over-regulated,
- the delivery mechanism is often centralised and space-blind,
- many other European and national policies (research and technology development, industrial, competition, education etc.) tend to increase inequalities,
- in most cases market processes are stronger than policy responses,
- in most cases, regional policy follow the market, do not lead the market
- policies are more difficult to implement in the regions that need them the most.

George Petrakos argues that if one illustrates the ineffectiveness and inefficiency of ECP interventions by referring to the widening regional disparities, this can be seen as intellectual abuse.

In order to ensure an effective impact on developmental trajectories of underdeveloped regions, this author suggests some important solutions to be considered when revising the 2014-2020 regional policy. They are as follows:


- Maintain emphasis on the weaker places: some of the proposed core priorities (migration, children, ageing) may transform cohesion policy to social policy, missing the territorial dimension of policy.
- Avoid uniformity in policy priorities and mix: the ‘Pan-European approach’ should leave enough room for bottom-up and place-based approaches,
- Allow for variety: no single path or a priori mix of tools for every place exists,
- Allow for flexibility and adaptability in planning,
- Drastically reduce bureaucracy at all levels (EC, national, regional) and improve delivery,
- Avoid macroeconomic conditionalities that contradict the very essence of cohesion policy and threaten its implementation: makes no sense to punish the weaker for not being able to deal with structural problems.
- According to Petrakos, the defence of the Convergence objective of the EU structural intervention in areas such as Eastern is based on the following premises:

  The convergence goal simply means that the weaker places receive more attention and resources than the more advanced ones;
  This principle is a necessary condition for the allocation of resources at the EU and the national level in order for the cohesion goal to materialise in practice;
  Combating inefficiency and exclusion is a complementary goal which is necessary, especially at the regional and local level;
  At the EU and the national level (top-down approach) convergence must be maintained as a goal in order to ensure that the weaker receive more support. Otherwise, we are likely to experience increasing – and perhaps destabilizing – inequalities in the future;
  At the regional and local level (bottom-up approaches) attention must be focused on reducing persistent inefficiency and social exclusion.

  On this basis one can formulate recommendations for ECP interventions in Eastern Poland in 2014-2020.

  In June 2010 the Council adopted the Europe 2020 strategy, which marked a new generation of socio-economic programming in the European Community, replacing the Lisbon and Gothenburg Agendas and the Renewed Lisbon Strategy. It is suggested that the Europe 2020 strategy should become a foundation for Community policies, including the European Cohesion Policy, in the current decade. The following were identified as priorities under the Europe 2020 strategy: (1) developing an economy based on knowledge and innovation, (2) promoting a more resource efficient, greener and more competitive economy and (3) fostering a high employment economy delivering social and territorial cohesion. The EU targets were defined as follows: (1) at least 75% of 20-64 year-olds employ-
ed, (2) 3% of the EU’s GDP invested in R&D/innovation, (3) 20/20/20 in climate and energy: greenhouse gas emissions 20% lower than in 1990; 20% of energy from renewable sources; 20% increase in energy efficiency, (4) reduce school drop-out rates to below 10%; at least 40% of 30-34-year-olds completing third level education, and (5) at least 20 million fewer people in the EU in or at risk of poverty and social exclusion (reduction to 100 million, classified respectively in member states). The national targets are diversified, which means that Poland’s target rates are somewhat lower. The Europe 2020 strategy is to be implemented through seven flagship initiatives: (1) Innovation Union, (2) Youth on the move, (3) Digital agenda for Europe, (4) Resource-efficient Europe, (5) An industrial policy for the globalisation era, (6) An agenda for new skills and jobs, and (7) European platform against poverty.

Consequently, the Europe 2020 strategy became the foundation for all EU policies which are intended to stimulate a positive change in the economy and society of the EU in the current decade. In 2014–2020 the ECP will play a crucial role for the effective implementation of this strategy as it has the necessary measures and instruments at its disposal.

The criticism of the Europe 2020 strategy, expressed in various debates, focuses on the following aspects: the set of targets is not coherent; the strategy is only a formal modification of guidelines related to many traditional intervention areas (example: industrial policy); the recommendations are relevant for the situation and degree of development of more affluent EU member states; the postulate to boost workforce mobility within the EU will lead to a brain drain among the most valuable labour resources and students from countries such as Poland. And, finally, the strategy is blamed for neglecting the importance of infrastructure quality as a strategic goal. The adoption of the Europe 2020 strategy as the leading foundation for the European Cohesion Policy represents a significant threat to regional policy in weaker and peripheral regions since those regions need further investments in the traditional areas of the economy which generate socio-economic growth. While intervention in the most modern development factors may be more effective through sectoral rather than regional frameworks, weaker regions are far less competitive in seeking access sectoral programmes.

According to the proposed ECP budget, allocations for 2014-2020 are expected to be slightly lower than those available in 2007-2013\(^3\). It is proposed to allocate a total of EUR 336 billion (in 2011 constant prices), versus EUR 354.8 billion in the preceding period, which is a decline by approx. 5%. On the other hand, significant increases are planned for allocations related to competitiveness (from EUR 77.8 billion to 114.9 billion) and infrastructure (from EUR 12.9 billion to

40.0 billion). In the years 2014-2020 the core allocations from structural funds are to be targeted at underdeveloped regions i.e. ones with per capita GDP under 75% of the EU-27. It is proposed to allocate EUR 162.6 billion in those regions, which represents a considerable decline from the current EUR 202.3 billion. The Cohesion Fund will be the second expenditure item and eligibility for its funding is defined at per capita GNI below 90% of the EU-27 average. In the years 2014-2020 this item represents EUR 68.7 billion versus EUR 70.3 billion currently. As a result, the share of the poorest countries and regions in the allocations will decline from approx. 77% at present to approx. 69% in 2014-2020. However, in connection with the shrinking regional disparities, the average annual per capita allocations from structural funds to Convergence regions will increase (in 2011 constant prices) from approx. EUR 188 to approx. EUR 195, and the ones from the Cohesion Fund will increase from approx. EUR 61 to approx. EUR 79. The intermediate regions, with per capita GDP ranging from 75% to 90% versus the EU-27 average, will be the main beneficiaries and the allocations should increase from approx. EUR 26.2 billion to approx. EUR 39.0 billion (in comparison with regions currently receiving transitional aid). For the purpose of current prices, the average annual inflation rate of 2% will be applied in subsequent years.

The draft regulation for 2014-2020 provides for a thematic concentration of intervention directions. One of the problems within the European Cohesion Policy, occurring since the Delors reform, has been the very long menu of intervention directions listed in regulations. The menu included measures with a very limited developmental impact. When negotiating the legislative package with the European Commission, member states usually effectively fought for maximum extension of that list. Then, in countries which benefited from structural funds and the Cohesion Fund, all sectoral frameworks, mentioned as potential beneficiaries in regulations, demanded that their needs should be taken into consideration in allocations under operational programmes. This led to a dispersion of funds among a great number of minor directions, with many measures bringing no outcome due to insufficient intensity of interventions. Therefore, thematic concentration was postulated very frequently in the discussions regarding the solutions planned for 2014-2020. At the same time, it was rightly pointed out that the ECP must take account of highly varied developmental backgrounds in countries and regions of Europe, resulting from reasons such as diverse levels of socio-economic development, diversity of socio-economic and territorial structures, specific developmental capacities and barriers, as well as past developmental trajectories. For this reason, the European Commission proposed a list of thematic objectives incorporating 11 areas of intervention: (1) Strengthening research, technological development and innovation, (2) Enhancing access to and, use and quality of information and communication technologies, (3) Enhancing the competitiveness of SMEs, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF), (4) Sup-
porting the shift towards a low-carbon economy in all sectors, (5) Promoting climate change adaptation and risk prevention and management, (6) Protecting the environment and promoting resource efficiency, (7) Promoting sustainable transport and removing bottlenecks in key network infrastructures, (8) Promoting employment and supporting labour mobility, (9) Promoting social inclusion and combating poverty, (10) Investing in education, skills and lifelong learning, and (11) Enhancing institutional capacity and ensuring an efficient public administration. Naturally, all those thematic areas have a deep sense, and this will lead to a situation where Community funds will be concentrated, in accordance with reasonable premises, on those eleven thematic areas of intervention within the Convergence objective, even though they are adapted to the singularities of the ‘old’ member states. This is why Poland’s problem will be to achieve the right proportions of expenditures going to those thematic areas and, above all, to achieve a structure of expenditure which does enhance development. This high number of priority thematic areas may, regretfully, lead to a situation where individual thematic areas do not achieve a sufficient critical mass.

The most important recommendations on how to stimulate the socio-economic development of Eastern Poland within the ECP in 2014-2020 are as follows:

1. It is essential to continue the macrregional operational programme for the socio-economic development of Eastern Poland in 2014-2020. However, in comparison with the respective programme implemented in 2007-2013, the following modifications should be introduced: (1) the possibilities arising from the multifund approach should be leveraged, (2) priority axes and measures should be more strongly oriented towards macrregional and inter-voivodship issues, (3) the creation of a collaborative network between various stakeholders and the development of the connectivity potential should be addressed more effectively, and (4) the ownership problem should be addressed more efficiently as marshal offices have not seen themselves as sharing the responsibility for this regional policy instrument. It seems that the aforementioned set of priority axes could be retained.

2. Voivodship operational programmes play an important role in Poland’s regional policy. Under the Strategy of Regional Development the share of funds managed at the regional level will increase from 36% in 2007-2013 to 50% in 2014-2020\(^1\). This is highly beneficial for the weak voivodships of Eastern Poland which have a limited capacity to access funding under sectoral programmes. An important role will be played by the algorithm applied in allocation of funds among voivodships. For the voivodships of Eastern Poland it is vital to maintain the current algorithm where 80% of the allocation depends on the population size, 10% on low per capita GDP (with five voivodships of Eastern Poland participating in it), and 10% depends on high unemployment rates (population in poviat where the rate exceeds

the country’s average by at least 50%). It is important to return to the model of multi-fund operational programmes (financed in parallel from the European Regional Development Fund and from the European Social Fund), as this means that the development policy hardware and software will be integrated under a single instrument, which is especially important for the weakest regions.

3. The structure of expenditure under the European Cohesion Policy should be, in each case, adapted to the local developmental context. Regrettably, the European Commission proposes to use a ‘one solution fits all’ formula in 2014-2020. This approach is reflected, among others, in the provisions concerning less developed regions: ‘At least 50% of European Regional Development Fund resources in less developed regions are focused on energy efficiency and renewable, research and innovation and SMEs support of which 6% for energy efficiency and renewable. At least 5% to integrated actions for sustainable urban development’. Moreover: ‘At least 20% of European Social Fund allocations should be dedicated to promoting social inclusion and combating poverty, for less developed regions at least 60% member states should concentrate on: (1) promoting employment and supporting labour mobility, (2) investing in education, skills and lifelong learning, (3) promoting social inclusion and combating poverty, and (4) enhancing institutional capacity and efficient public administration.’ Of course, if made obligatory, the minimum expenditure thresholds under the European Regional Development Fund and the European Social Fund will be a great challenge for Eastern Poland voivodships. This may lead to a concentration of funds in the capital cities of each voivodship and in subregional centres. An additional problem arises from the considerable increase of the share of the ESF allocation from approx. 15% in 2007-2013 to 25% in 2014-2020.

4. Starting from 2007, the Community structural intervention instruments forked into two diverse policies. The Cohesion Fund and structural funds remained within the ECP whereas the European Agricultural Fund for Rural Development (EAFRD) became the foundation of the second pillar of the CAP. In most cases, the EAFRD was implemented in a centralised manner, and its funds actually played little role in stimulating development of rural areas. It is expected that the Community structural facilities within a partnership contract with a beneficiary state may be integrated in 2014-2020. This is particularly important in Eastern Poland given the high share of agriculture in the economy and the degree of concentration of socio-economic capacities in rural areas. It would be

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an adequate solution to launch a regional programme, managed by the respective marshal offices, dedicated to the support of rural development and financed from the European Agricultural Fund for Rural Development.

5. The special role of the Europe 2020 strategy had been defined at an earlier stage, with the European Cohesion Policy being subordinated to the effective implementation of that strategy in 2014-2020. The European Community assumes that the aforementioned five priorities will be achieved. While each country committed to pursue those priorities, the required performance levels were diversified. In comparison with more developed EU countries, Poland has less ambitious targets to achieve by 2020. Nevertheless, those targets represent an enormous challenge. It should be expected that those priorities will be addressed at the regional level and for this reason regional strategies and operational programmes should demonstrate how Poland will achieve the Europe 2020 priorities (and this also applies to Eastern Poland’s voivodships). Naturally, the focus on implementing the Europe 2020 strategy through the ECP may mean that a substantial portion of structural funds and the Cohesion Fund will be reallocated to more developed areas of Poland.

6. Given that the territorial cohesion became anchored in a treaty starting from 1 December 2009, the territorial approach is likely to be applied more broadly within the European Cohesion Policy. This is reflected in the suggestions that new instruments should be applied in local development areas such as joint action plans, Community led local development, local development strategies, local action groups; and in the stimulation of urban development: integrated actions for urban development, urban development platform etc. It is also proposed to apply the Territorial Impact Assessment as a foresight instrument to forecast the impact of various measures on the status of spatial development. The following topics related to the territorial dimension are particularly sensitive in the case of Eastern Poland: (1) accessibility standards related to public services, (2) development of metropolitan functions within voivodship capitals, and (3) enhancing the connectivity potential and participation of stakeholders from Eastern Poland in a variety of networking initiatives.

7. A considerable part of the external frontier of the European Union with Ukraine, Belarus, and the Russian Federation (Kaliningrad Oblast) is located in Eastern Poland. This frontier has a highly negative effect on the socio-economic development of voivodships located in Eastern Poland, especially in areas located directly along the frontier. All EU enlargement scenarios towards the East are pessimistic: the accession of those countries is not foreseen before 2050. What plays an important role for the development of voivodship located in Eastern Poland are the political and economic relations with the neighbouring countries and the elimination, or at least reduction, of pathologies occurring at border crossing points. Therefore, the European Neighbourhood and Partnership In-
Instrument plays a crucial role here. Poland takes part in two such programmes: Poland-Ukraine-Belarus and Poland-Lithuania-Russia (Kaliningrad Oblast). To the maximum extent possible, those programmes should focus on supporting regional development and should not be treated to the same extent as an element of foreign policy. However, the political dimension strongly prevails, especially in the latter programme, which largely undermines the positive impact of that instrument on the voivodships located along the Eastern frontier of Poland.

To recap, this means that in order to utilise the opportunities available under the ECP in 2014-2020 in Eastern Poland, public policies will need to be of very high quality, and this concerns in particular the regional policy, both at the country level and at the level of individual voivodships.

Bibliography


