Development trajectory of Eastern Poland: theoretical considerations and strategic recommendations

Trajektorie rozwoju Polski Wschodniej: teoretyczne rozważania i rekomendowane strategie

Tomasz Grzegorz Grosse
Institute of Political Studies of the Polish Academy of Science

Summary
In the article are presented four key challenges of state policy with regard to the trajectory of the development of Eastern Poland. Firstly, the crucial challenge is to bring the trajectory of the development of these regions to the next level. Breaking the regions free of the current constraints, and the hitherto-obligatory approach to the development process can be difficult, and even impossible without courageous intervention of the state. Leaving this task to local or regional level, or to self-regulation of the market is insufficient. The second challenge for the government policy is using the available ‘public resources’ for the development of Eastern Poland. The third challenge lies in controlling the mobility of production factors in the less developed regions. The fourth challenge is the effective implementation of innovation policy measures in the Eastern Polish regions. In the article it is going to analyse the four aforementioned challenges in greater detail in the context of the draft update of the Strategy of Socio-Economic Development of Eastern Polish up to the year 2020.

Key words: the trajectory, intervention of the state, self-regulation of the market, innovation

Streszczenie

Słowa kluczowe: trajektoria, polityka państwa, samoczynne procesy rynkowe, polityka innowacyjna
Introduction

All subsequent Polish governments demonstrate growing geopolitical ambitions, especially visible in their desire to play a significant role in European politics. At the same time, they tend to disregard the fact that a necessary condition for influencing international policy is having a strong and highly competitive economy. Such robust economy provides the means to conduct effective foreign policy and improves the standing of a member state on the EU arena. Therefore, a primary strategic challenge for the Polish government’s policy is strengthening the country’s economy in a relatively short time horizon.

In the context of the discussion of strategic economic development policy in Poland, we can perceive two major risks. The first is a strong tendency towards exogenous development, which was adopted by decision makers after 1989. It means that there exists a tendency to base the pace and directions of development on external financial resources and other external factors (e.g. economic conditions in the native countries of major economic partners or decisions taken by foreign investors). The main risk of this model is over-influence of factors that lie beyond the control of domestic actors, and consequent weakening of the possibility of strategic control over economic processes. It is worth noting that the basic instrument of the country’s development after 2004, i.e. the cohesion policy, in many ways reinforces the exogenous model. It happens both because of the scale of EU funding, and because key negotiations about growth directions and methods of spending the EU development funds are moved to European level. Another factor contributing to the process is the weakening of the national institutions responsible for development policy and their partial replacement by the cohesion policy instruments. Another problem is that developmental effects tend to be rather superficial and short-term – it is a result of the manner of application of this policy in Poland. Yet another threat to the economic model developed in Poland is the fact that it is based largely on low production costs (e.g. labour costs). In time, with the natural increase of salaries (and an accompanying increase of prices of goods and services), this can cause Poland to lose its competitiveness on the international market.

The second threat is growing spatial diversity in Poland, and especially the differences between the fast-growing capital city (and other metropolitan areas) and other regions. This tendency is reflected in the growing differences between the provinces, and especially the increasing distance between Poland’s Eastern

---


2 For more detail confer: T. G. Grosse (2013), *The light and shadow of cohesion policy in Poland: on the example of the Europeanization of state administration and development policy*, publication pending.
regions and the rest of the country. Regions (voivodeships) located on the eastern border of Poland are characterized by peripheral location (particularly in relation to the central areas of the EU – Eastern Poland in fact constitutes the external border of the EU) and the traditional trajectory of development. This trajectory is based on low production costs, and also on low-tech manufacturing industries, especially agro-food industry. Another constraint is the relatively low domestic demand and insufficient export activity, especially to the countries across the eastern border. This development trajectory is stimulated by the cohesion policy projects that introduce measures to improve transport infrastructure (and related environmental protection), but do too little to help strengthen local entrepreneurship and introduce structural change to the economy of Eastern Poland. As a result, the development of these regions – with the exception of some industrial clusters – is fragile, and dependent on the inflow of EU funds and arrival of major foreign investors interested in the region. It is therefore particularly sensitive to changing economic conditions in the countries of Western Europe, who are the biggest economic partners of Eastern Polish enterprises. Thus, this growth trajectory has a low profile and small growth potential, and additionally it is also overly dependent on external growth factors.

The low level of development of the growth trajectory of Eastern Poland finds its confirmation in the 5th Cohesion Report prepared for the European Commission. On the ranking lists presented in this report, the regions located east of the Vistula typically hold the last ranks. This is especially true in the case of indicators that illustrate possible development of innovative economy (such factors as research subsidies, innovativeness ratio, employment in R & D, etc.). The same tendency can be observed in the case of indicators measuring labour productivity in industry and services, unemployment levels, business sophistication, competitiveness and other related factors. They point to the peripheral position of the area, both in terms of geographical location in the EU, and its trajectory of development.

In this situation, we can well pose a question whether the trends described above, observable both in Poland in general and in Eastern Poland in particular, will not be an obstacle to growth in the strategic time horizon? Should Poland’s growth be based solely on exogenous growth factors, including heavy dependence on aid provided by the cohesion policy? The Polish Investment and Development Program, which is supposed to be one of the key elements of the national de-


velopment policy, is yet in its infancy. In addition, the programme constitutes a challenge with regard to activities coordination between the Minister of Regional Development who oversees cohesion policy and the Treasury Minister who is supposed to oversee the Polish Investment and Development programme as such. Should not the state play a more proactive role in influencing market processes, who in their present shape are focused on aiding ‘engines’ of growth, and are neglecting more peripheral regions? While the present low trajectory of development in these regions continues, will they not become a social and political time bomb? Can Poland afford to maintain dual growth, where a large part of territory does not pull its weight in building the country’s economic potential, and is excluded from the development processes – or even (in the most pessimist scenario) becomes an actual burden?

In order to address these questions, we should refer to literature describing the economic success of relatively small Nordic countries – both on the European and global scale. The main goal of their foreign policies is increasing their autonomy, and not solely seeking support (and protection) of the major powers. At the same time, it can be argued that robust economy constitutes a source of a country’s power in international politics. This is one of the tenets of the geo-economic approach, according to which economic policy measures can be used to increase the effectiveness of foreign policy. Thus, resources and economic instruments can be used in this way to increase a country’s geopolitical standing, both in terms of its ability to influence European policy, and in terms of expanding its autonomy from the European powers. The abovementioned “powers’ in the case of the Nordic countries are especially Germany and Russia, who have a tendency to overly influence politics of the Nordic countries. Given Poland’s previous geopolitical experiences, and taking into account the split between the influences of the country’s Western and Eastern neighbours – case studies of the Nordic countries promise to be helpful.

Other features of the Nordic countries’ approach to development are likewise worth noting. They combine a desire to improve the spatial structure with a focus on increasing human and social capital. For these reasons, some researchers define this model as a ‘social geoeconomics’. One of the striking and fundamental features of the Nordic approach is special attention to using all available human

---

5 The programme is to be implemented by a special purpose vehicle of the Ministry of Treasury linked to the Bank Gospodarstwa Krajowego (BGK), more details at: http://www.msp.gov.pl.


and territorial resources for the process of development. As far as the social dimension is concerned, therefore, the Nordic countries put emphasis on education, on improving the social network, and on raising the social capital. A key element of this policy is the encouraging of social dialogue and creating competent and friendly administration. The goal of these actions is to foster mutual trust and confidence among the citizens, and towards the public authorities of the State. Focus on this last element, namely, fostering trust, should be specially noted. Public policy funds should not be spent for the convenience and safety of civil servants, as is so often the case in Poland\(^8\). There should not be disposed of according to the internal rationale of the administration. Their purpose is to help their true beneficiaries, according to the country development rationale. At the same time, they should be deployed in such a way as to increase confidence in the government and state structures.

When it comes to territorial resources, the Nordic approach puts great emphasis on the development of spatial structures and on raising the trajectory of development processes in less developed or peripherally located regions. Such regions should be involved in the national growth, and not just become a reservoir of cheap factors of production (an approach that really comes down to the mechanism of “inner periphery exploitation”\(^9\). The Nordic mechanism neither leaves those regions to the operation of their own market processes, nor does it support overly exogenous trajectory of their development (which would be dependent on foreign investors or external public support). Even though less developed regions in Nordic countries have to resort to using external aid or rely on the inflow of private investments, they should stimulate their internal (endogenous) potential, including supporting the development of local enterprises. Local businesses not only serve a simple mechanism of income redistribution through increasing the purchasing power and consumption of the local population. The peripheral regions should also not render themselves as areas of unilateral exploitation of local resources by entrepreneurs coming from the central areas.

It should be noted that the basis for the Nordic model of development is building knowledge-based economy. This task is carried out in the strategic time horizon (which is much longer than the seven-year perspective of the cohesion policy). It also stems from the internal and vital needs of the country, and is not solely the result of adapting to the current needs of the cohesion policy. Furthermore, innovation policies of the Nordic countries are heavily regionalized, and therefore they possess a number of territorial impact instruments, tailored to the specific

---


circumstances of the less developed regions\textsuperscript{10}. Such instruments are designed to integrate these areas into the development processes of the whole country, using public resources that are necessary for the development of innovative economy (e.g. through measures designed to effect diffusion of development impulses from more developed areas to less developed ones). An important element of this policy is the National Innovation System, which complements the relevant regional structures. It should be noted that a region-specific state innovation policy is a fundamental instrument whereby the public authorities can bring the trajectory of development of the peripheral regions to the next level. In the context of situation in the Nordic countries, and with regard to considerations pertaining to the trajectory of the development of Eastern Poland, one should pay attention to four key challenges of state policy.

- Firstly, as I suggested above – the crucial challenge is to bring the trajectory of the development of these regions to the next level. Breaking the regions free of the current constraints, and the hitherto-obligatory approach to the development process can be difficult, and even impossible without courageous intervention of the state. Leaving this task to local or regional level, or to self-regulation of the market is insufficient. Private investments in the peripheral regions will not be ready to shoulder the risk necessary to change the trajectory of local development. Instead, they tend to perpetuate the extant trends or strengthen economic dependence (exogenous growth). In turn, the local and regional authorities have insufficient resources in order to introduce meaningful change. Specifically, they lack the possibilities of using public resources for national development on a large scale. Changing the development trajectory involves reconfiguring the equilibrium level between the supply and demand of development factors, as well as increasing the role of factors, which increase business efficiency and competitiveness in a sustainable way\textsuperscript{11}.

A somewhat different approach to policy development is observable in the consecutive reports of the World Bank and the OECD\textsuperscript{12}. These documents place emphasis on fostering economic competitiveness, and creating a unique, country-specific set of characteristics that constitute the development potential of a given territory. The authors of these reports pay very little attention to changing the development trajectory of the most vulnerable regions


or to “rescuing’ them from their current development path, either based on tradition or on over-dependence on political and economic centres.

- The second challenge for the government policy is using the available ‘public resources’ for the development of Eastern Poland. As a matter of fact, development policy itself (both on local and regional level) can be treated as such a resource for a political community. It can be defined as the ability to shape the planning, implementation and evaluation processes of social and economic development of a specific community (for example, in order to raise the development trajectory in less developed regions). The public resources also involve appropriate coordination of sectoral policies of the state (including the so-called horizontal coordination of the industrial, educational, scientific and research policies with the regional development policies). Another example of public resources is the coordination of the central government actions and the activities of local governments (the so-called vertical coordination). And yet another example of the utilization of public resources by the state is the ability to initiate diffusion of development processes from the well-developed cores to vulnerable or peripherally located regions. Other important public resources are institutions and skills that enable officials to integrate public policies (i.e. the proper use of the instruments of spatial development of the country).

- The third challenge lies in controlling the mobility of production factors in the less developed regions. It involves controlling the flow of such factors as the financial capital, human resources, and production technologies ‘from’ and ‘to’ least-developed regions. Managing this process sometimes requires skilful handling of market processes that, left to themselves, could perpetuate development problems or lower the development trajectory of a given region. An example of such malfunction is the ‘brain drain’ phenomenon, i.e. the outflow of the most valuable human resources from the less developed regions. The remedy can involve introducing public intervention to complement market processes, e.g. in order to increase diffusion of innovation and technology from the central regions to the less developed ones.

- The fourth challenge is the effective implementation of innovation policy measures in the Eastern Polish regions. As I mentioned before, this is the main instrument that will provide opportunities to change the current development trajectory of these regions. Thus, it will make it possible to stabilize the balance between supply and demand of development factors and likewise to stabilize these factors on a level that will support development durability, efficiency and economic competitiveness.

In the next section of the article I am going to analyse the four aforementioned challenges in greater detail in the context of the draft update of the Strategy of So-
The strategy is defined as a macro-regional strategy of the Polish government, and therefore it ranks among the state’s regional policy instruments. It was prepared in consultation with local governments (voivodeships), even though in fact it does not provide for greater decentralization and regionalization of regional policy or putting it in the hands of local government of Eastern Polish regions. Indeed, the main instrument of the strategy will be the operational program for Eastern Poland, centrally managed and implemented probably (as it was done before) by the central government.

The update of the strategy for Eastern Poland was prepared in conjunction with the cohesion policy for the period 2014-2020. The draft strategy does not provide any other implementation instruments beyond the operational programs of the cohesion policy, which means that the government does not envisage any internal state policy actions to support the development of Eastern Poland. This situation may in fact strengthen the exogeneity of aid measures, so as to make the development trajectory of these regions overly dependent on external development resources, and strategic and organizational decisions. As the previous experiences with the cohesion policy demonstrate, its chief drawback is the lack of sustainability, and the tendency to strengthen the extant development path. As has been demonstrated, the cohesion policy helps to build the local economic potential only to a very marginal degree. And such potential could doubtlessly become the basis for sustainable endogenous development after the assistance programmes cease to operate.

State policy as change of development trajectory?

It is my aim in this article to look at the regional policy of the state as an instrument of potential change in the development trajectory of Eastern Poland. The change in this context can be defined as improving the balance between the development factors and fostering sustainable improvement of efficiency and economic competitiveness. In this section, I will endeavour to answer the question whether the update of the Strategy of Socio-Economic Development of Eastern Poland up to the year 2020 can efficiently fulfil this task.

---

13 Projekt zaktualizowanej Strategii rozwoju społeczno-gospodarczego Polski Wschodniej do roku 2020 [Draft of the updated Strategy of Socio-Economic Development of Eastern Poland up to the year 2020], Ministry of Regional Development, Warsaw, version of 5 April 2013. This document will hereinafter be referred to in the footnotes as “Draft Strategy for Eastern Poland”.


The diagnosis section of the aforementioned Strategy draws the readers’ attention to the low development trajectory of Eastern Polish regions, and to the increasing distance between these regions and the rest of the country.

Participation of the macro-region in the GDP in 2009 amounted to 15.2% and this value was 0.6% lower than in 2002. The GDP forecasts show that the current negative trends are going to continue\(^\text{16}\). If no effective action is taken in order to make the development processes more dynamic, then despite the projected increase in per capita GDP, by 2020 the gap between the macro-region and the rest of the country will increase… As a result, in 2020 the GDP of Eastern Poland will constitute only 14.4% of the national GDP, which means that the projected participation in the national GDP will decline by 0.8%\(^\text{17}\).

In the remaining part of the diagnosis the authors present the cause of the current development trajectory.

The results of the analyses indicate\(^\text{18}\) that the low level of economic development of the Eastern Poland regions is largely the result of low labour productivity, expressed in Gross Value Added per worker (in 2009 it was around 90% of the average worker performance in the national economy for the Warmia and Mazury region, and less than 70% in the Lublin region) and unused labour resources... Eastern Poland regions, with the exception of Warmia and Mazury, are characterized by very high labour involvement in the agricultural sector (22.5% compared to the national average of 12.8%), which has significantly lower productivity than other sectors of the economy. In comparison, the average for this ratio in the entire European Union is just 5.1%\(^\text{19}\).

In the light of this diagnosis, the main challenge for the state’s regional policy is to improve labour productivity, including reallocation of labour to areas outside the low-efficiency agriculture sector. These attempts should involve courageous action aimed at changing the structure of the local economy, including specialization profiles of the macro-regions. However, the authors of the strategy do not intend to build a competitive advantage in new industries, but instead focus on existing specializations. According to the strategy documents, the agri-food sector will retain its prominent position in the region’s economy. There are also no proposals for measures that would support the diversification of employment outside agriculture.


\(^{17}\) Draft Strategy for Eastern Poland, p. 13.


\(^{19}\) Draft Strategy for Eastern Poland, p. 15.
The weakness of the draft strategy is inadequate diagnosis of the relationships between supply and demand on the labour market. The document mentions only the fact that regional higher education institutions provide a surplus of well-educated workers, and that there is no sufficient demand for them among local businesses. Qualifications of these potential employees are in all likelihood too high or mismatched to the local needs. Compared to the rest of the country, educated people in Eastern Poland have more difficulties in finding employment. It is the main reason for the fact that young people look for work outside their macro-region. At the same time, employers in Eastern Poland (with the exception of the Świętokrzyskie region) find it more difficult than the national average to find suitable job candidates to meet their requirements.

This testifies to the existence of dysfunctions between labour supply by academic institutions and the demands of local businesses. A need arises for public intervention, targeted primarily at regional businesses, in order to strengthen their demand for a better educated workforce and foster the launch of new companies in the industries that offer high-quality and well-paid jobs. A necessary complement to this strategy should be a better adjustment of tertiary education programmes to the needs of local labour markets, e.g. by introducing state-subsidized internships and vocational study programmes that would answer the needs of the leading branches of industry in the macro-region.

The draft strategy includes actions that will introduce innovative solutions into businesses, launch new innovative enterprises and lead to creation of new high-quality jobs in the macro-region. It also proposes actions to adapt the current educational offer to the needs of the labour market of the macro-region and to enhance co-operation between the academia and the business sector. In this way, the Strategy will have a positive impact on the relationship between demand and supply of better-educated workforce. It is as yet difficult to determine whether these actions will be sufficient to change the current development trajectory of the macro-region, especially because the Strategy envisages the current specializations of the regional economy as the basis for the region’s development. One could argue that upgrading or updating the current economic profile may prove insufficient as an agent of change.

The know-how of using public resources for fostering growth

A crucial challenge for the state policy with regard to Eastern Poland is the ability to make better use of the broadly defined ‘public resources’ for the development of the region. Among the resources in question one should mention the horizontal

---

20 Ibid., p. 33.
21 Ibid., pp. 51-54.
and vertical coordination of various development activities, especially the launch of different sectoral policies in the macro-region. The governmental industrial policy has crucial importance, along with innovation, scientific and educational initiatives. Another public resource that can be utilized are the effects of innovation policy implemented in the central regions, that can afterwards be used to strengthen the capacity of the less developed regions. An example of such mechanism is the acquisition of new technologies thanks to research (financed from public funds) conducted in the central regions, and then making them available for application in the peripheral regions. In this way, there occurs diffusion from the developed central areas to the less developed or peripheral areas. Lastly, another important public resource is the ability to provide effective spatial planning of regional investments and new projects. This ability combines two different paths of economic planning: strategic choices of economic specialization and spatial planning.

Assessment of the use of the above-mentioned public resources under the Strategy for Socio-Economic Development of Eastern Poland up to the year 2020 is perforce very negative. This is mainly due to the shortcomings of development policies implemented at the government level, as well as the deficits of coordination between sectoral and regional state policies. It is difficult, for example, to ensure coordination between the priorities of industrial policy and regional policy when in fact there is no valid industrial policy. While there exist strategic documents for specific economic sectors (including the energy sector), these are not properly coordinated with the regional policy.

The draft Strategy for the Eastern Poland declares support for regional specializations, including special support for the region’s industrial clusters. This is mainly due to a requirement of the European Commission, who demands member states to indicate ‘smart specializations’ as a prior condition for obtaining funding from the cohesion policy funds after 2013. As a consequence, the specializations mentioned in the strategy cannot be treated as an attempt to coordinate regional activities with sectoral policies of the state, but rather as a simple act of compliance with a EU requirement. It should be added that apart from the agri-food sector mentioned above, the document does not mention other regional specializations. It must also be remembered that in the light of the Commission’s expectations there is a difference between simply presenting a list of economic sectors present in a given area, and making strategic decisions pertaining to the selection of a limited number of privileged ‘smart specializations,’ that will provide direction for the development of the local economy in the coming years. This second type of specialization is altogether absent in the document in question.

23 Such a list is included in the Draft Strategy, pp. 27-29.
Likewise, the Strategy does not provide the instruments of growth diffusion from the core (e.g. leading research institutions) to the Eastern Polish regions. One of the proposed actions\textsuperscript{24} merely mentions the need to strengthen the link between various actors in innovation processes, such as businesses, research centres and public authorities – but without reference to the necessity of diffusion. We can treat this omission as a failure to use a potential public resource for the development of Eastern Poland. It is also a blatant example of the differences between the Polish and Nordic approaches. The Nordic countries, as I mentioned above, are doing their best to utilize such instruments\textsuperscript{25}.

The weaknesses of the draft Strategy lies also in the insufficient use of another public resource, namely planning. One example of this weakness in the decision not to provide locations for planned key investments (new projects). Granted, the diagnosis does contain elements of spatial analysis, and even some recommendations as to locations. The document also mentions that there is a plan to create list of strategic projects implementing the Strategy\textsuperscript{26}. However, at this stage, the authors pointedly decided not to list the selected projects, or their spatial location.

**Directing production factors’ mobility**

In market economy the mobility of production factors, including the flow of financial capital, labour and technology, is seen as a key element of growth. In the case of the European single market, this mobility belongs to the sphere of basic economic freedoms which may be restricted only in exceptional circumstances. However, the mobility of labour, capital and technology can in fact prove destructive for the less developed regions and therefore it should be monitored by relevant public authorities responsible for regional development. An example of mobility pathology is the phenomenon of ‘brain drain,’ observable in Eastern Poland\textsuperscript{27}, which contributes to the petrification of the existing development trajectory of the macro-region. Another problem might be the excess of imports over exports, which serves as an indication of low competitiveness of the local economy (especially visible in the production of the so-called higher-value-added goods.) Public policy of a member state of the EU should not restrict the flow of factors of production, but can improve situation in problem areas by appropriately targeted public intervention aimed at correcting market processes.

Appropriate performance of state administration in this field requires gathering relevant knowledge, including systematic monitoring of the flow of financial capital, human resources and technology. However difficult gathering speci-

\textsuperscript{24} Projekt zaktualizowanej Strategii rozwoju społeczno-gospodarczego Polski Wschodniej..., p. 51.
\textsuperscript{25} More details [in:] T. G. Grosse (2007), Innowacyjna gospodarka na peryferiach?
\textsuperscript{26} Draft strategy for Eastern Poland, p. 62.
\textsuperscript{27} Ibid., p. 33.
fic data in these spheres could be, regional policy makers should have this kind of knowledge. This requirement applies also to controlling other, better researched phenomena (e.g. exchange of goods and services at the regional level.) In the case of the draft Strategy, the study of production factors’ mobility was regrettably very cursory. Some phenomena are not included at all, e.g. information about the balance of trade at the regional level is lacking altogether. Likewise, capital flows and individual regions’ potential to attract external investment have not been exhaustively examined. We also do not find information about the structure funds incoming into the macro-region (e.g. the proportion between public and private, and domestic and foreign funds, etc.). Even more serious is the lack of information about the possible outflow of capital from these regions.

Omissions in the diagnostic part of the Strategy make it impossible to make the optimal choice of priorities and design effective measures. For example, in the latter part of the document, there is no an adequate response to the phenomenon of ‘brain drain’ or the trade deficit. There is also no mention of suitably profiled activities that would stimulate the flow of capital to the macro-region while maintaining support for local entrepreneurs. It is a grave omission as the entrepreneurs as a group provide the basis for endogenous development of local economy, which means that some mechanisms of encouragement and incentive should be included in the Strategy. Designing such mechanisms is not an easy task under the regulations of the cohesion policy, which forbids differentiating public support for businesses on a regional basis. However, some form of assistance for foreign investors that would require them to maintain close cooperation with local companies could be implemented. The Strategy regretfully does not contain such solutions and such thinking, neither in its diagnostic part nor in the part that offers recommendations as to instruments of public intervention.

The authors of the Strategy completely omitted the discussion of development opportunities for the Eastern provinces that are connected to their geographic location on the border of the EU. This omission again demonstrates the inability of policy makers to perform strategic analysis in a broader horizon, that would take into account not only the complex methodology of studying economic relations between the regions, but also other conditions of development, for example, its geo-political aspects. We can safely assume that promoting economic relations between Poland and its eastern neighbours could contribute to the improvement


of diplomatic relations. The said omission also shows that authors of the Strategy quite simply did not make use of a wealth of data, documents and a knowledge that had been put together by the Ministry of Regional Development. Many studies commissioned by the Ministry of Regional Development highlight the importance of the macro-region’s location for its future development. For example\(^\text{30}\), one study indicates that for the regions of Lublin and Podkarpacie trade with Ukraine ‘is of high importance’ (pp. 46-47). Likewise for Podlasie, trade with the neighbouring Belarus, Lithuania and Russia as well as with other Baltic states is estimated to have ‘above average’ importance (p. 47).

In yet another study\(^\text{31}\), already in the first sentence it is stated that ‘the location of four out of the five regions of Eastern Poland on the external border of the European Union remains one of the most important determinants of their development’ (p. 2). Similarly, among the recommendations for updating the Strategy for Eastern Poland it is stated that ‘Poland should support the development of cross-border cooperation, regardless of short-term economic conditions. It also means investing in infrastructure, particularly in transport and education, that should be treated as matters of regional policy (and to some extent of foreign policy)’ (p. 71). Also other studies commissioned by the Ministry of Regional Development in connection with the ministry’s work on the Strategy emphasize the importance of the position on the border for the development of the Eastern Poland\(^\text{32}\).

The challenge of innovative policy

As I said before, innovation policy is regarded as a crucial instrument for changing the trajectory of economic development in less developed countries and regions. It creates opportunities to improve the balance between growth factors and take it to the next level, allowing for greater efficiency and competitiveness of the local economy. However, this requires a more courageous approach to development on the part of the public authorities and forces the said authorities to shoulder more risks than private entities would be willing to take. It is possible only if public interventions retain their strategic nature, that is, if they are planned


with a time horizon of at least several years, and with the involvement of major financial resources. In addition, a conservative approach, which is based on existing endogenous resources, and is devoid of any willingness to expand or diversify into new economic specializations, does not create adequate opportunities to change the extant development trajectory. A more ambitious approach would focus on radical change in the structure of economy targeted towards finding a niche on the international economic scene and ultimately towards creating favourable conditions for generating customized technology solutions in Eastern Poland (and not only application of others’ innovations).

Unfortunately, the draft update of the Strategy of Socio-Economic Development of Eastern Poland up to the year 2020 has to be considered as relatively conservative in terms of stimulating innovation. This is due to its explicit reliance on endogenous modernization of existing resources and focus on pre-existing specializations, whose level of technological innovation is usually quite low. Reliance on existing specializations does not leave much room for introducing innovations, and this mechanism threatens to perpetuate the existing profile and low development trajectory of the macro-region.

In the abovementioned document, no distinction is made between the potential for absorption of external innovations and the ability to create own technology in local research centres or businesses. This distinction could in fact be useful for better targeting of public action and for effecting a gradual shift from the mimetic (imitative) approach to building stronger endogenous resources of innovative economy. The diagnosis only briefly mentions the fact that the structure of expenditure on innovation in Eastern Poland is slightly different from that in the rest of country as it demonstrates a higher share of expenditure on acquisition of knowledge from external sources. This finding can be considered as an illustration of the fact that the macro-region shows a tendency to absorb external innovations.

The diagnosis indicates a deterioration in the situation of innovative economy in Eastern Poland. In the years 2006-2010 the total expenditure of enterprises on innovation activities in Eastern Poland decreased by 4% (in services by 10.1%, and in industry by 3.2%). There was also a decline in the share of innovative enterprises in the total number of enterprises. This may testify to low impact of the existing activities of cohesion policy on the situation in question. In fairness, it should be noted that before 2013 the policy was aimed at supporting innovative economy only to a limited extent, and in the less developed areas it was deployed solely to upgrade existing economic resources and adopting external innova-

\footnote{Draft Strategy for Eastern Poland, p. 25.}
\footnote{Ibid., p. 24.}
tions\textsuperscript{35}. Still, it can be argued that the notion of fostering innovation in the cohesion policy is highly superficial and treated only in the most immediate strategic perspective. It is focused more on compliance with the formal requirements of the European Commission, than on implementing a well-designed strategy of endogenous development.

The draft document conspicuously lacks any in-depth analysis of the reasons for the weakness of innovative economy structures in Eastern Poland. What is also lacking is a cutting-edge diagnostic analysis that would focus on the comparison of the factors of supply and demand in the sphere of innovation. The strategy only mentions\textsuperscript{36} the fact that ‘conservative behaviour of entrepreneurs’ is widespread, and that it inhibits the formation of innovative ideas as entrepreneurs are generally convinced that there is no need for innovative economic activity. This finding may in fact explain why there is such a low demand for innovation in the region. Another related problem probably lies in insufficient supply of domestic innovations, especially ones that would answer to the needs of regional specializations. The main challenge in this situation is the low level of balance between supply and demand factors, which makes it difficult to break the macro-region free from its current development trajectory. Public policy should therefore serve both to condition the potential for creating region’s own technological thinking, and to create demand for this innovation in the local business community.

Conclusions

The draft update of the Strategy of Socio-Economic Development of Eastern Poland up to the year 2020 has been prepared to fulfil the requirements of the EU’s cohesion policy. In accordance with the requirements of the policy, the Strategy focuses on selected priorities. It identifies three strategic directions: development of transport infrastructure and electricity, labour resources and innovative economy. The strategy will probably allow for smooth implementation of the policy funds in the period 2014-2020, primarily through the implementation of a special operational programme for five regions of Eastern Poland. It can be assumed that the Strategy will contribute to the development of the macro-region, especially through improving local infrastructure and stimulating consumer demand. However, the purpose of this article was not the evaluation of the entire Strategy, but merely answering the question whether it provides an opportunity to change the extant development trajectory of Eastern Poland. This task is of course much


\textsuperscript{36} Draft Strategy for Eastern Poland, p. 26.
more challenging than just ensuring compliance with the formal conditions of the European Commission or even maximizing the absorption of the EU funds.

The analysis of the updated Strategy for Eastern Poland regretfully indicates that the chances of improving the balance of developmental factors in this macro-region towards greater competitiveness and productivity are small. Just as it was before 2013, the cohesion policy will likely perpetuate the extant development trajectory. This is largely the result of weaknesses of policy development planning in Poland – and especially of the excessive dependence on the European planning processes, as well as relying on a conservative approach to the development of the less developed regions on the part of Polish policy makers. Another problem is the immaturity of the national development policy system that would be autonomous from the EU cohesion policy. And yet another problem is the lack of coordination between sectoral policies and regional policies of the state.

Other weaknesses of the planning system are also visible. The authors of the Strategy did not avail themselves of the opportunity to use the available resources and expertise of the Ministry of Regional Development, including studies on the importance of the position of the eastern border regions. We can also observe difficulties in using more complex methodology for the study of mobility of production factors and of the relationship between supply and demand of development factors. Likewise, information pertaining to spatial planning has been disregarded.

Bibliography


Development trajectory of Eastern Poland: theoretical considerations and strategic...


