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## **Eastern Poland and the Challenge of Governance Part II**

### **Limitations of the Partnership- and Network-based Approach to Policies of Local Development**

#### **Nowe modele rządzenia – wyzwania dla Polski Wschodniej część II**

#### **Ograniczenia sieciowych i partnerskich podejść do zarządzania rozwojem lokalnym**

**Anna Gąsior-Niemiec, Anna Kołomycew, Agnieszka Pawłowska**

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##### **Streszczenie**

Opracowanie przedstawia teoretyczne i empiryczne aspekty nowych metod zarządzania, wdrożone w Polsce Wschodniej i które zostały zilustrowane przez Lokalne Grupy Działania w województwie podkarpackim. Autorzy opracowania poddali analizie mocne i słabe strony Lokalnych Grup Działania, jak również rozwiązania instytucjonalne dotyczące polityki wdrażania innowacyjności w Polsce po akcesji Polski do Unii Europejskiej. Szczególny nacisk został położony na główne czynniki, mające wpływ na pozytywne wdrożenie rozwiązań instytucjonalnych i polityki w oparciu o sieci i partnerstwa. Na podstawie przeprowadzonych badań autorzy prezentują modele polityki kulturalnej, ogólny poziom zaufania i zbiorowego przywództwa, które są głównymi czynnikami efektywnego zarządzania na płaszczyźnie sieci – partnerstwa (w oparciu o model rządzenia w Polsce Wschodniej).

##### **Summary**

The paper presents theoretical and empirical aspects of new modes of governance (NMG) as applied in Eastern Poland, which are exemplified by Local Action Groups (LAGs) in the Podkarpackie Voivodship. The authors discuss strengths and weaknesses of the NMG as an institutional and policy innovation imported to Poland following its accession to the EU. In particular, they focus on major domestic factors determining successful implementation of institutional structures and policies based on networks and partnerships. Basing on their field research, the authors demonstrate that the type of local political culture, the level of generalized trust and collective leadership are found among the main determinants of in/effective patterns of network- and partnership-based local governance in Eastern Poland.

**Słowa kluczowe:** zarządzanie, rozwój lokalny, partnerstwa, sieci, lokalne grupy działania, Polska Wschodnia

**Keywords:** governance, local development, partnerships, networks, Local Action Groups, Eastern Poland

## Introduction

The turn of the twentieth and twenty-first century was marked by mounting efforts to execute a transition from government to governance in most areas of social life, including public policy-making and policy implementation. The core idea of the intended change was to restructure the dominant mode in which societies – at least in the global North – had been governed and administered over most of the twentieth century, with some aspects and cases reaching partly back to the nineteenth century. Most importantly, the restructuring has involved a more or less radical withdrawal of the state and its agencies from the centre stage as far as directing, steering and organizing societal development is concerned. What was proposed instead of the state's monopoly in this respect was an idea that panoply of existing and to be created agencies and actors – public, semi-public and private – could largely independently of the state (or with the state's much more limited involvement than before) be responsible for and better manage growth and development of societies.

Two major routes were devised to implement and institutionalize this new idea. The first, starting in the era of Thatcher's (in the United Kingdom) and Reagan's (in the USA) neoliberal reforms, was to make the state "wither away" and to transform the public sphere into a multitude of various crisscrossing markets, infusing it with logics and ethics typical of (neo-classical) market economy. This route ended up with the rise of the New Public Management (NPM), embracing both an ideology of governing (a political rationality), a managerial doctrine and a set of institutional and policy practices bent on deregulation and privatization of the public sphere, especially in the dimension of public goods production and public services delivery. The second route, emergent in the late 1990s in some northern European countries, such as the Netherlands, Denmark, Sweden and to some extent Germany, when the excesses of the NPM approach in Anglo-American societies and elsewhere started to be revealed, was to partially recuperate the public/societal interest from the vicissitudes of unbridled markets, opaque quasi-markets and unaccountable *quangos*<sup>1</sup>. This was to be done by wider opening up public policy-making and public policy implementation to a variety of organized social and civil society actors who were to participate in the policy processes alongside the other actors: administrative, political, economic and quasi-economic ones. The underlying rationale behind this turn was to involve – empower was the keyword – (organized) civil society in the policy processes not only in order to diminish the state's and the market's interests predominance over civil society's ones but also (perhaps more importantly) in order to pool all available resources for the sake of the system's growth and development.

<sup>1</sup> Quangos – quasi nongovernmental organizations.

The following paper is mainly concerned with the latter of the aforementioned routes to modern governance, especially as implemented in the field of regional and local development. It focuses in more detail on one crucial aspect of the modern governance: the network- and partnership-based approach to local development. Not denying many real and potential virtues of the network- and partnership-based approach, the paper, nonetheless, draws attention to its limitations. This is because both theoretical and empirical research on new modes of governance as applied in Poland after the systemic change of 1989, and especially following the country's accession to the European Union in 2004, seems to indicate that on top of some generic problems inherent in this approach – such as its demanding, largely normative presuppositions concerning the nature and objectives of the partners involved, the governability trap involved and its adverse effects on trust in political institutions – in this country this approach proves to be even more problematic, especially when applied indiscriminately (or mechanistically enforced).

Accordingly, the paper starts with a theoretical discussion of the concept of governance drawing attention to its main varieties and emphasizing some of the general presuppositions that may circumscribe its successful application in the area of public policy. In this part of the paper three “ideal models” are analyzed: classical PA (*public administration*); neoliberal NPM (*new public management*) and NPG (*new public governance*), whereby the network- and partnership-based approach is attributed to the NPG model. Subsequently, the paper points out some preconditions associated with advocacy and institutionalization of network- and partnership-based modes of governance in the EU. This is followed by a discussion of some specific conditions that seem to have a bearing on its application in post-1989 Poland, especially as far as the field of regional and local development. Further, to anchor the insights deeper in empirical research, a recent case study is presented featuring intersectoral partnerships in the Podkarpackie voivodship. Finally, some conclusions based on the research are offered.

## Public governance – unpacking the umbrella term

As persuasively argued by Osborne (2010a), the dominant (now global) Western model of public policy-making, policy implementation, public goods production and services delivery regime could – from a historical-theoretical point of view – be described as evolving and passing through three stages or models. These comprise: an ideal model<sup>2</sup> of **Public Administration** (dominant from the late nineteenth century onwards to the late 1970s/early 1980s); an ideal model of the **New Public Management** (*en vogue* from the 1980s until 2000s); and an ideal model of the **New Public Governance** (nascent in the 2000s and triumphing until now). Importantly, the temporal succession of those ideal models has not been

<sup>2</sup> This term is used throughout the present paper in its Weberian meaning.

translated into a complete, or even decisive, erasure of a predecessor by a successor. Rather, those ideal models have continued to exist side by side, even though mutually strongly affecting each other's scope of application, mode of functioning and level of efficacy.

These three ideal models could be distinguished from one another and compared by using several criteria and complex indicators, such as the type of the political system presupposed; the type of presupposed relationship between "politics" and "administration" or between "the state", "economy" and "civil society"; the perceived main source of added value/quality in public policy making and implementing; the type and characteristics of agents included in the public policy processes (both policy making and policy implementing); the type of dominant rules of conduct within the public sphere; the type of logics/ethics informing the agents and guiding their actions; the type of policy budgeting; the type of evaluation criteria for public goods production and public service delivery etc. Table 1 below offers an apt comparison of the aforementioned three ideal models using some of these and a few other criteria/indicators.

Notably, each of the three ideal models might be usefully proved to be rooted in quite different ideological premises. Those diverging ideological roots are responsible for their presupposed value bases and normative assumptions behind their declared aims, goals, objectives and their preferred instruments. Most generally, while the classical model of Public Administration could be related to both conservative and social democratic ideas about the state-economy-society relations which are structured and balanced by the hegemonic state, the New Public Management model clearly subscribes to the neoliberal "minimal state-maximal market" vision of societal organization. By contrast, the New Public Governance model seems most mixed in this respect, betraying influences as diverse as neo-corporatism, communitarianism and liberalism, to name but a few.



**Table 1.** Main features distinguishing Public Administration (PA), New Public Management (NPM) and New Public Governance (NPG) as public policy making and public policy implementation regimes

Model/Key features	PA	NPM	NPG
Nature of the state	unitary	regulatory	plural and pluralist
Main focus	the political system	the organization	the organization and its environment
Emphasis on	policy creation and implementation	management of organizational resources and performance	negotiation of values, meanings and relationships
Chief resource allocation mechanism	hierarchy	the market and classical or neo-classical contracts	networks and relational contracts
Nature of the public service system	closed	open rational	open closed
Value base	public sector ethos	efficacy of competition and the marketplace	dispersed and contested

**Source:** Adapted from Osborne 2010a: 10

Building upon and adding to the features in the table above, one could state that *the model of PA* is characterized by the predominance of “hard” laws and rules originating from the political centre of an unitary and hierarchical political system and that it presupposes a monopoly of fully institutionalized public agencies in the field of public policy making and public policy implementing with a central role envisaged for the state bureaucracy, which translates into a clear preference for a vertical division of labor, formal rules of conduct and fully institutionalized linkages and relations within arenas and between agencies related to public policy making and implementing. Notably, the whole of the policy processes is held to reflect objective, impartial, rational and long-term goals of the whole system/society. The weaknesses of this model are familiar, including its structural rigidity and periodical functional detachment from “real life” developments; its slowness to adapt and respond to new challenges; its considerable inefficiencies and cost/value ratio shortcomings.

However, this model has also multiple strengths, with a function of providing systemic stability and taking advantage of economies of scale in the public sector; generating predictability and trust; possessing strong decision-making capacity and in-built rules of accountability as well as an ability to impose/endow overall direction to public (collective) action. Also, as far as policies of development, this is a model clearly oriented towards top-down leveling out of developmental gaps (predominantly by means of redistribution and interventionism). This model was

for instance typical of regional policies carried out in the era of the Keynesian welfare state.

By contrast, *the model of NPM* dispenses – at least in theory – with an image of a political system which is hierarchically structured, steered politically from the centre and best operated by public agencies and personnel who are faithful to the spirit of the Weberian rational bureaucracy. Instead, an emphasis is put on divorcing the political from the public, dismantling state-promoted formal structures, laws and rules, including in the area of territorial development, since these are said to inhibit improved performance in the public sector, incurring also undue costs to the public budget because of lacking competition within. Therefore, one of the basic changes involves creating separate policy-making and policy-implementing agencies. Subsequently, creating markets and quasi-markets within the particular domains of the public sector as well as making public goods producers and service delivery agents compete against each other is presented as a way to ensure supreme cost management and efficiency in the public sphere. As wide as possible use of markets, competition and contracts, claimed to be modeled on the private-sector, is actively encouraged and/or enforced. In contrast to the PA model, in which the state bureaucracy is claimed to have the most perfect available knowledge of societal needs and means to satisfy those needs, in the NPM such knowledge is ascribed to the market.

As far as the model's weaknesses, it might be sufficient to quote its ex-ardent proponent Osborne, who now states that "[t]he NPM has been criticized most devastatingly for its *intraorganizational focus* in an increasingly plural world and for its adherence to the application of outdated private-sector techniques to public policy implementation and public services delivery – and in the face of evidence about their inapplicability [...]" (Osborne 2010a: 4, emphasis in the original). To the long list of its failings, one could just add an almost complete erasure of long-term and strategic planning and frequent reduction of public policies to a series of disjoint, largely short-term *projects* carried out by *ad hoc* units, teams or agencies commissioned to do so by the state. As a result, the advantages of economies of scale are in the public sector largely lost. In addition, as argued by Kettle, those changes tend to result in a situation whereby public/state agencies start to be "responsible for a system over which they [have] little control" (Kettle 1993: 207 as quoted in Osborne 2010a: 7). It is only rarely noticed that one further serious consequence of the trend is to undermine public opinion's trust in political institutions since elected politicians – ceding control over public goods/services production and delivery to the market or quasi-market actors – increasingly find themselves unable to deliver what promised to their voters (cf. Harvey, 2008; Kennet 2010; Peters 2010).

However, the model of the NPM has had some advantages as well. Among them, there were some merits as far as reducing persistent overstaffing in the pu-

blic sector, initial rationalization of costs incurred by bureaucratic structures, inculcating more flexibility and professionalization in the production and management of public goods and services. Also, as far as policies of regional and local development, it did contribute to their devolution and decentralization, making them also more sensitive to needs/requirements of private-sector investors and entrepreneurs.<sup>3</sup> Nonetheless, the resulting dispersion, fragmentation, discontinuity and ultimately rising and not diminishing long-term systemic costs<sup>4</sup> appear to have overshadowed these merits, not to mention the more fundamental issue raised by unrestrained commercialization and privatization of public goods and services, including in seriously disadvantaged and underdeveloped areas.

In turn, *the new public governance model* presupposes a “plural and pluralist state” (Osborne 2010a; see also Kooiman 2010), meaning a negotiated co-existence of a variety of developmental aims, diverse logics of collective action, multiple agencies active in the public sphere, a multitude of stakeholders to be involved in policy-making and policy-implementing. Moreover, no single tier of authority, no single agency and no single category of stakeholders is presumed to have complete knowledge of the societal needs and means to satisfy those needs. As a result, for instance, the crucial field of policy of development is vertically layered and horizontally segmented to encompass all possible inputs, with strong encouragement given to linkages made across the layers or segments (sectors). However, the NPG model repairs, at least in theory, some of the weaknesses of the exuberantly dispersed and fragmented NPM arrangements by recognizing that the field of public policy-making and policy-implementing needs to be “orchestrated” by the state and its agencies, while leaving considerable leeway for the other stakeholders’ initiatives – for instance regional and local authorities, business partners, non-governmental organizations etc. Also, there is some recognition that development, unlike growth, is a long-term affair.

In parallel to the NPM model’s drive for blurring the lines dividing the public and the private sector to the advantage of the latter, the NPG model might be said to be interested in lowering and perforating barriers between three sectors: the statist, the private-economic and the private-civil society one. While the diffe-

<sup>3</sup> However, it needs to be added, that the devolution and decentralization reforms would often concern burdensome responsibilities without devolving/decentralizing the system of public finance – this tendency is clearly visible in Poland where the logics typical of the neoliberal era still seems to hold true even though it has already been questioned and to some extent checked in the neoliberal strongholds such as Great Britain (cf. Harvey 2008).

<sup>4</sup> This is predominantly due to three factors: increasing „market” pricing of all kinds of “public” action; lost advantages of economies of scale in public goods/services production and delivery; and – last but not least – exorbitant costs of supervising the increasingly more crowded and fragmented policy domains. As concluded by Osborne (2010a), even though the NPM could produce better cost-related efficiency at the level of single organizations involved in public policies (or within single projects), as a rule this did not translate into better systemic efficiency.

rent identities of actors anchored in those three sectors are recognized and largely upheld<sup>5</sup>, it is nevertheless claimed that their structural and functional separation has to be overcome by bringing them together within particular policy arenas. Their joint inclusion and collaboration is seen as essential for further growth/sustainable development of societies, which is perceived as a complex and multifaceted task requiring sharing/pooling resources, collective action and long-term (voluntary) involvement. Therefore, almost by definition, the new public governance model is premised upon and requires that two key factors are present within the semi-open field of public policy making and implementing, that is networks and partnerships.

## Networks and partnerships – assumptions and prerequisites

*Networks* are thought to be structures superior to both markets and hierarchies as far as delivering socially desired outcomes, especially in the conditions of imperfect information, extreme changeability, volatility and uncertainty typical of the globalizing world. This is predominantly because of their structural and functional flexibility, which is believed to allow for faster (than in the case of conventional PA) communication, mobilization and adjustment in face of challenges. Moreover, they are believed to create better (and cheaper) frameworks for more inclusive participation in power and decision-making, thus supposedly providing for empowerment of so far excluded/marginalized milieus/actors. In the case of policy networks, their being more inclusive is further argued to translate into enhanced democratic legitimacy enjoyed ultimately by the whole political system (cf. Kooiman 2010). Finally, themselves being open-closed systems, they are claimed to avoid both rigidity typical of bureaucratic structures and instability typical of entropic markets.

However, networks may generate just as many difficulties and problems as benefits and advantages, especially when treated as dominant and not supplementing/facilitating structures for (deciding about and) the production and delivery of public goods/services (cf. Klijn 2003). On top of their poor decision-making capacities (as compared to the PA model), hidden power relations, deficient transparency and lacking accountability, some of their critics say that networks can actually be even more exclusionary than either markets or hierarchies (cf. Kennet

<sup>5</sup> It is worth emphasizing that regulations applied to non-governmental organizations in Poland, especially the ones following the adoption of the law on public utility organizations and volunteering of 2003, have tended to transform the NGOs into regular firms, making them less and less “civil” and diminishing their independence both from the state and the market (cf. Graff 2009; see also <http://lepszyswiat.salon24.pl/133939,ngo-obywatelskosc-kontrolowana> and [http://www.civitas.edu.pl/pub/nasza\\_uczelnia/projekty\\_badawcze/Model\\_wspolpracy/ISP%20Ekspertryza%20nr%202.PDF](http://www.civitas.edu.pl/pub/nasza_uczelnia/projekty_badawcze/Model_wspolpracy/ISP%20Ekspertryza%20nr%202.PDF)).

2010; Peters 2010). Moreover, their stability and sustainability can be questionable, depending on many unpredictable and uncontrollable factors – both internal and external. Therefore, networks (>>NPG), being more reliable and governable than markets (>>NPM), are less stable and dependable than hierarchies (>>PA). These characteristics should be kept in mind while designing/evaluating structural-institutional arrangements for specific policy arenas, such as regional and local development policies.

*Partnerships* are believed to be superior modes of bringing together diverse types of actors – conceptualized as stakeholders – within various policy arenas. This is mainly because of two presuppositions. Firstly, it is seen that in the framework of partnerships both ends of specific “public value chains” may meet, bargain and cooperate in order to achieve – within a specific policy arena, programme or project – the best cost/value ratio achievable in the given epirical circumstances. Secondly, it is presumed that partnership arrangements lead to better mobilization of societal resources in the conditions of permanent resource scarcity typical of contemporary neoliberalizing states. Namely, because of their diversified, overlapping and crisscrossing membership they are heralded as most effective generators of an enlarged spectrum of developmental resources, including not only economic, but also social, cultural and symbolic types of capital (cf. Bourdieu 2001). On top of that they are perceived as vehicles for trust. In consequence, the partners are believed to recognize each other’s specific needs and priorities and to arrive at an informed consensus concerning what and how much of is to be done to meet their needs and priorities by making a recourse to public&private resources and by means of collective action.

Further, partnerships’ acclaimed superiority – to both free market contracting and rigorous bureaucratic enforcement – could be said to derive from their two other assumed features. These are: “equal footing” involvement of the various types of stakeholders and relative flexibility of their common objectives (which are to be negotiated and bargained for both in terms of interests and values) as well as means of their achieving. Basing upon those two features (on top of presumed reciprocal trust), partnerships are expected to produce two crucial advantages as far as policy-making and policy-implementing are concerned. Namely, they are said to significantly lower transaction costs involved in arranging for societal development and to significantly increase the level of (voluntary) compliance of the stakeholders involved. As a result, public policy aims are believed to be easier (and cheaper) to attain.

However, there are a few major problems with partnerships in the realm of real-life public policies. These might be both deduced from theory and observed in practice – including in those systems (Northern and Western European) in which the partnership approach was first devised and implemented in the field of public policy. Unavoidably, much graver problems might be expected to arise as

they do when the partnership approach is applied in/imposed upon systems whose underlying structures and cultures do not correspond with the assumptions and prerequisites inherent in the original approach. The most serious of those problems include: 1) absence of expected (suitable) partners; 2) absence of expected (individual and pooled) resources; 3) inability to negotiate expected (common) objectives; 4) inability to produce expected (desired) outcomes; 5) contested legitimacy; 6) diminished transparency; 7) diminished accountability; 8) free-riding; 9) predatory behavior; 10) clientelist relations; 11) rising transaction costs; 12) façade nature of partnerships<sup>6</sup>; 13) low level of interpersonal and/or institutional trust; and weak traditions of intersectoral cooperation. Noteworthy, even though analytically distinguishable, these problems might overlap in practice, as they do.

Turning to the Polish experience, it is to be reminded that the network- and partnership-based approach started to be tested in the field of public policies as early as the beginning of the 1990s (cf. Gąsior-Niemiec 2009; Furmankiewicz, Królikowska 2010). Noteworthy, at the start it was much more embedded in the NMP model rather than the NPG one. One of the reasons for this was the prevalence of the neoliberal agenda during systemic restructuring in post-1989 Poland, basically as instituted by the Washington (and then post-Washington) Consensus whose spirit and letter were quite evident for example in the World Bank-supervised and “loan-sponsored” institutional and policy innovations introduced in the country. One such good example is provided by the case Program Aktywizacji Obszarów Wiejskich (*Rural Development Programme*) which was implemented in the early 2000s in selected Polish regions, including in *Polska Wschodnia* (Eastern Poland). However, starting in the later 1990s, the European Union’s PHARE and other pre-accession assistance programmes significantly contributed to the spread of the network- and partnership-based approach, especially as far as regional and local developmental agenda and the discourse thereof are concerned (Gąsior-Niemiec 2003; 2009; Hausner 2007; see also Furmankiewicz, Królikowska 2010).

Despite the much more frequent failures than successes of the approach (as for instance evidenced by the successive waves of failing territorial local labour market pacts), its implementation in Poland gained momentum in the early 2000s. This was because of several reasons, both internal and external. As far as the external reasons, the main of them concerned the European Union’s structural funds which, in many cases, could be made available to the Polish beneficiaries only on the condition that they formed a partnership. However, as already mentioned, the pressure of the EU’s normative discourse of subsidiarity and partnership played also a role in this respect (cf. Gąsior-Niemiec 2002). As far as the internal reasons, one should single out an unprecedented (and effective) mobilization of the Third Sector elites, which resulted in their successful lobbying for creating a legal basis for non-governmental organizations to be included in policy-making and policy-implementation proces-

<sup>6</sup> These are discussed in more detail in Gąsior-Niemiec 2012 (forthcoming).



ses, including in the most lavishly funded by the EU areas of rural development, regional development and social policy (cf. Gąsior-Niemiec, Gliński 2006)<sup>7</sup>. By 2012 this approach became a standard in these policy areas.

As argued elsewhere (Gąsior-Niemiec 2010) and confirmed by other research, including international (see e.g. Bobińska-Kolarska 2009; Boerzel 2009; Swianiewicz et al. 2008), despite mounting efforts to graft and “naturalize” the network- and partnership-based approach to policy-making and policy-implementing in Poland, several deeply ingrained features of the Polish political system and Polish political culture as well as attitudes exhibited by Polish society in general have continued to work against the expected benefits of this approach. Among those features, one could list: weakness of the state and its institutions (Boerzel 2009); weakness of civil society (Gąsior-Niemiec, Gliński 2006); disaggregation and lacking civic ethos within the private sector; staunchly materialist value orientations of Poles (Bartkowski 2009); pervasive distrust and lacking sense of a common good in Polish society (Czapiński, Panek 2011); clientelist “habits of the heart” inherent in the Polish institutional landscape (Grosse 2009; Gąsior-Niemiec 2009). Those features are largely responsible for the fact that networks and partnerships established for policy aims more often than not turn out to be ineffective or facade institutions (but see also Wódz, Wódz 2007; Furmankiewicz, Królikowska 2010).

Still, it could be argued that the recorded failings and weaknesses may not preclude altogether the applicability of the network- and partnership-based approach as far governance within the Polish public policies is concerned, especially at the regional and local level. In the defense of the approach, it might be hoped that being an innovation copied from an alien political-cultural environment, this approach just needs to be better learnt and perhaps somewhat domesticated by the Poles. One crucial way to follow upon this hope is to monitor and provide feedback on further processes of networks’ and partnerships’ creation and their subsequent operation, including both short-term and longer-term results. One crucial policy area in which it should be done is the policy of regional and local development, including in rural areas. Research of this kind is especially recommended in those regions/local communities which have been granted access to considerable funding footed by the EU under condition that the discussed approach will be applied by potential beneficiaries. To illustrate this kind of research, below the case of so called Lokalne Grupy Działania (Local Action Groups [LAGs]) in the Podkarpackie Voivodship will be presented and discussed.

Unfortunately, the preliminary findings based on this case study seem to provide evidence that recently established partnerships, found in the area of rural

<sup>7</sup> It needs to be added that this mobilization and effectiveness were greatly helped by the personal involvement of Jerzy Hausner – the then Minister of Economy and Social Policy, and a de facto “minister” for the EU structural funds – otherwise a university professor, a policy expert and an ardent advocate of the new public governance model.

development, in this region of Polska Wschodnia are largely façade institutions, in addition the ones that are often treated instrumentally by public authorities local as well as regional ones. Heralded as innovative vehicles to promote supra-local development in disadvantaged rural areas of Podkarpacie, in their majority the analyzed LAGs appear to have been created because of a mixture of two main reasons: 1) formal pressure (“structural coercion”) originating in the EU and transmitted to regional and local Poland by the EU’s funding “Managing Institutions”, that is the Ministry of Agriculture and Rural Development and its regional/local agencies and 2) self-interested (utilitarian/profit-seeking) behavior of some of the “partners” involved, usually inspired by the local authorities (cf. Halamska 2005; Furmankiewicz, Królikowska 2010).

## The case of intersectoral partnerships in the Podkarpackie Voivodship<sup>8</sup>

### Intersectoral partnerships and the practice of new modes of governance

Intersectoral partnership (IP) – understood in terms of voluntary cooperation of entities representing three sectors (public, private, civic/social) who are engaged in the process of identifying and defining problems of public nature and jointly attempt to elaborate solutions to those problems, enjoying equal footing as far as sharing resources, responsibilities, risks and benefits – steadily becomes a standard approach to public policy-making and policy-implementing at all levels – European, national, regional and local. Over the recent years IPs are promoted specifically by the EU as one of the preferred mechanisms to carry out its policies as well as the policies in the EU’s Member States. The sweeping move toward regionalization and decentralization of public goods and services delivery, combined with the principle of subsidiarity, makes regional and local development policies almost “natural” arenas for such partnerships to be created.

In the following case study, IPs are exemplified by thirty-one network-like structures called Local Action Groups (further referred to as LAGs) which have been created in the Podkarpackie Voivodship within the framework of EU-funded programmes to trigger and sustain rural development. The Podkarpackie LAGs are made up of public, private and civil society partners located within the region’s rural areas. Their setting up was in addition explicitly premised on

<sup>8</sup> The empirical evidence presented and discussed in this part of the paper has been produced by research carried out within the project titled *The Intersectoral Partnership in the Process of Creation and Implementation of Local Development Strategies in the Podkarpackie Region*, which is executed by the Unit for Public Administration and Public Policy at the Department of Political Science at the University of Rzeszów in Podkarpacie.



a condition that the number of participants from the public sector included in any LAG must not exceed 50 percent of all of its participants. In the current, domestic round of the programme LEADER+ (PPL+) – which has been financed from the EU's structural funds and administered in Poland by the Ministry of Agriculture and Modernization of Rural Areas supported by its regional agencies (such as ARMiR) and regional self-governmental authorities – the LAGs receive financial assistance which is earmarked for implementing their collaboratively created strategies of local development. These strategies had been prepared a few years before by the LAGs in the framework of the previous round of the same programme.

The aim of the following case study is to present how the LAG partnerships in Podkarpacie were created and how they operate in reference to collaborative implementation of their strategies of local development. Noteworthy, adding to the theoretical premises discussed in the first part of the present paper, the study is informed by an assumption – derived from the path-dependency theory – that on the one hand the existing political and administrative culture considerably affects the LAGs' modes of functioning, while, on the other hand, the Polish LAGs basically just follow and imitate models and patterns established earlier in the old Member States of the European Union (EU-15), including both their good *and* bad practices (cf. Halamska 2005).

Given the still strong position of conventional, bureaucratic PA structures and their institutional cultures in Poland, including in the Polish regions and local communities, which stands in contrast with the still weakly developed domestic Third Sector and poor voluntary engagement of the private sector (economic partners) in public affairs – including at the regional and local level – it could also be ventured that, in spite of the legal requirement that the LAG's partners enjoy equal standing, in practice we will see that the LAGs are dominated by local (*gmina*-commune's) authorities.

Further, drawing upon the so far conducted research on the practice of the European Union's funds implementation in Poland, it was hypothesized that the local partners involved in the LAGs largely took a utilitarian – not to say rent-seeking – approach to local development (cf. Swianiewicz et. al. 2008; Furmankiewicz, Królikowska 2010). In consequence, the intersectoral partnerships that they had created and operated under PPL+ programmes would be just another way of securing financial support from the public budget/EU's funds. In addition, it was hypothesized that the formation of those partnerships had been a direct result of top-down institutional pressures. In other words, had it not been for the PPL+ (as modelled on the EU's LEADER's and LEADER+'s) formal requirement to create an intersectoral partnership in order to get access to additional funds for local and supra-local development, those LAGs – in their majority – would not have come into existence.

As mentioned, the reported empirical data and findings have been produced during the first (quantitative) stage of a research project titled *The Intersectoral Partnership in the Process of Creation and Implementation of Local Development Strategies in the Podkarpackie Region*. The whole project has been planned for the period 2010-2013. Below an outline of the project's methodology is presented and the results of the quantitative part of the research are adduced and discussed. These will be preceded by a brief discussion of the category of intersectoral partnership against the background of the new public governance theory which was analyzed in the earlier part of the present paper.

Clearly, the category of intersectoral partnership falls within the network- and partnership-approach as part of the NPG theoretical framework. The definition of intersectoral partnership – as presented a few paragraphs before – has been formulated in direct reference to the characteristics of the new public governance model. Most specifically, for the sake of the empirical research on intersectoral partnerships, the new public governance paradigm was mainly interpreted in terms of a set of mechanisms devised with the aim of negotiating and implementing public policies in which participation of various stakeholders drawn from different walks of life is envisaged and required, representing the three major sectors of current democratic systems in Europe, that is public sector *sensu stricto* (namely representatives of the state administration and of regional and local territorial self-government), the economic sector (representatives of entrepreneurs, associations of entrepreneurs etc.) and the civil society sector (social partners, representatives of the Third Sector, non-governmental organizations etc.).

Likewise, the new public governance paradigm (also discussed under the label of “new modes of governance”) might also be specified in terms of a novel decision-making model used in various arenas of public policy, which is premised upon an involvement of all interested stakeholders and their arrival at final decisions concerning the production/delivery of public goods/services by way of reaching a consensus (García 2006: 745). As such, new modes of governance may be expected to constitute a particularly dynamic and interactive policy-making and policy-implementing arrangement (see Boerzel 2009; cf. Gąsior-Niemiec 2010). In structural terms, this kind of arrangement is typically based on networks composed of multiple and diverse actors whose interactions are (or rather are expected to be) premised upon trust-based exchange, owing to which they are able (or rather are expected to be able) negotiate decisions which are satisfying from the vantage point of the interests and values of all of the partners representing all three sectors.

Furthermore, drawing on Peters and Pierre (1998: 225-227), in more technical terms the network- and partnership-based governance arrangements could be characterized by:

- the predominance of shared decision-making: decisions are taken not just by public institutions but by “amorphous collection[s] of actors” who thus determine the catalogues of public services and the manner of providing them;
- the state’s diminished capability to exercise direct control over public policies: state agencies (and similarly regional or local authorities) function more as facilitators/coordinators in the decision-making networks, whose participants enjoy an equal status;
- the pooling of public and private resources: the state uses non-state actors to attain what it cannot achieve by itself and *vice versa*;
- the use of a wider spectrum of instruments to implement the goals of public policy: this includes an application of “unconventional” methods and tools aimed at obtaining/mobilizing developmental resources, producing public goods, providing public services etc.

One pragmatic justification behind an increased application of the new modes of governance in contemporary states stipulates that they might be a preferred model of public decision-making in a situation when public institutions are not able to achieve their objectives: 1) using exclusively resources at their disposal (public resources are limited); 2) depending only on their imperfect knowledge of societal needs& interests (some of which are weakly articulated in the process of political competition); 3) basing solely on conventional (representative) forms of decision-making that are characterized by an increasingly diminished level of acceptance by the public opinion and ever lower satisfaction with their final results (the probability of social conflict is high); and 4) making use of conventional instruments to produce/distribute public goods/services.

On top of that, Jessop (2007) argues that the new modes of governance may constitute an interesting example of inscribing an “ethical” dimension in the governing/governance discourses and practices. According to him, this is especially so with the concept of “good governance” (Jessop 2007: 6; an emphasis added), which seems to point out at some “ideal” state of public affairs that is promised to materialize once the requirements of “good” governance are met. However, it is to be stressed, that the purported “ethical” aspects of the new public governance do not provide for a satisfactory resolution of issues such as the much diminished accountability characteristic of “good governance” institutions and processes: networks responsible for decision-making processes within such – much extended and crowded – public sphere (and taking decisions seemingly on behalf of and in the interest of democratic constituencies) are neither representative of those constituencies nor accountable to them according to standard democratic principles (cf. Soerensen 2005).

## Methodology of the LAG research

The reported research is focused on investigating mechanisms to create IPs as exemplified by Local Action Groups located in the Podkarpackie Voivodship. It provides an insight into the forms taken by those IPs, their membership, decision-making processes, promotion and information activities, as well as their role in local/rural development of the region, including empowerment of civil society and mobilization of local communities for common goals.

At the beginning of the research project the following research questions were asked:

1. What is the degree of the IPs' innovativeness and to what extent they are seen as "alien" modes of governance? Are they a product of endogenous creativity or rather of "structural constraints" imposed by the EU?
2. To what degree does the emergence and operation of the IPs depend on political, administrative and civic culture of the region, including the cultures of the particular local communities?
3. Are the IPs well embedded in their respective local communities? What is their potential to survive without the EU's support?
4. Are the IPs inclusive and representative *vis-a-vis* their local communities? Is the requirement of 50% participation of business and civil society partners satisfied?

Furthermore, the research has been guided by the following hypotheses:

1. The IPs are mostly "compulsory" structures; they are innovative but may fall prey to traditional modes of governing and hierarchical decision-making patterns.
2. Although the IPs are the platform for cooperation between the three sectors, they are dominated by the representatives of local governments – who are the usual "architects" of the local IPs.
3. Organizational patterns of the IPs follow directly legal requirements and usually involve copying foreign models; however the IPs are trying to adapt their institutionalization patterns to the local conditions.
4. The IPs have a chance to become stimulators of local development, however this is premised upon the condition that local authorities overcome their tendency to dominate the partnerships and their supporting networks. Only then client-oriented culture will be transformed into a culture of equal involvement of all of the actors concerned in decision-making processes, while strategies/programmes of local development will correspond to the local needs, resources and aspirations of local communities.

The research has had its quantitative and qualitative dimension. What is reported below refers to the preliminary results produced during the quantitative dimension of the research project, which was based on questionnaires addressed to all members of all of the LAGs in the Podkarpackie region. The questionnaire included questions about the following issues: actors who initiated and now par-

ticipate in the LAGs; profiles of the LAGs' activities and their objectives; the way of coopting/attracting partners to the LAGs; operation of the LAGs' boards; decision-making patterns in the LAGs and within the LAGs' boards; consultation strategies and practices of the LAGs; relations and contacts between the LAGs' members and their respective local communities; future prospects of the LAGs.

The questionnaire was distributed when LAGs' general assemblies were convened. It reached all of the members of the LAGs – both individuals and representatives of their corporate members. In total, 518 members from 26 LAGs (84% of all of the LAGs registered in Podkarpacie) filled out the questionnaire. They constituted 33 percent of all identified members of all of the LAGs in the region. The least number of returns per LGD was 1; the highest number – 41; the medium number of returns per LAG was 20. To process the data generated by the questionnaire, the SPSS application was used.

## Results of the research and discussion of the results

In terms of the LAGs' membership categories' distribution, the respondents who filled out and returned the questionnaire represented:

- local governments: 26,6% of the respondents
- federations of local governments: 1,4% of the respondents
- NGOs: 19,7% of the respondents
- business partners: 8,1% of the respondents
- individuals: 34,4% of the respondents
- other types of participants: 1,7% of the respondents
- missing identification: 8,1% of the respondents.

Generally, the obtained results have demonstrated that the Podkarpacie's LAGs have observed the principle of at least fifty-percent share of other than public sector members. Those representing NGOs, business, individuals and other categories of membership constitute together 63,9% of all of the respondents. However, in this context the low number of business members involved in the region's LAGs must be strongly stressed, which is thought to undermine longer-term endogenous viability of those partnerships and to make/or them excessively dependent on public funding (by the EU, the Polish state and regional/local authorities). Interestingly, over 1/3 of the respondents identified themselves as being members of other partnerships.

Based on the questionnaire, the core mission of the LGDs was identified as authorizing, updating and implementing strategies of local development. According to the *Gmina* Government Act of March 8<sup>th</sup> 1990, authorities established at the commune's (*gmina*'s) level exercise all powers related to those local matters that are not reserved for other tiers of authorities. Community development is major among such matters. Therefore, it could be ventured that the *gmina* terri-

torial governments are in a way “by their nature” interested in the IPs as a mechanism that might be used to support their efforts in the field of local development. Results of the reported research confirm this assertion clearly.

According to 74,8 percent of the respondents, the intersectoral partnerships were initiated by local authorities (see table 1). Only slightly more than a dozen of them indicated an NGO as the chief architect of their LAGs. Just a few pointed out at an individual person as a LAG’s initiator. Still fewer named a business partner as an actor who helped start the partnership. Therefore, there seems no doubt that the leading role has been played in this respect by the local authorities. Their dominant role, apart from the arguments and hypotheses already presented in the preceeding paragraphs, might be further explained by several pragmatic factors, such as: 1) the local authorities have had better access to information about the LEADER and LEADER+ programmes, including details regarding their required structures, rules of operation and funding available to the potential IPs as well as regarding the knowledge of procedures to subsequently evaluate the LAGs; 2) the local authorities have had far better access to regional authorities which – in accordance with the regulations issued by the central Institution Managing the EU-funded rural development programme (i.e. the Ministry of Agriculture and Rural Development) – have been selected as managing institution responsible for the LEADER and LEADER+ programme local implementation and supervision; 3) the local public administration employees are better trained to take advantage of the EU programmes and so they proved to be better prepared to implement procedures involved in the creation of the IPs and their subsequent operation.

**Table 1.** Who initiated your LAG?\*

Type of actor	%
Local government	74,8
NGO	12,4
Representative of local business	1,9
Individual	4,8
Hard to say	5,9
Other	0,2

**Source:** Based on the authors’ database

As far as the local NGOs, officially they constitute a sizeable sector in the region: there are about 8 000 not-for profit associations and foundations registered in Podkarpacie. However, in reality approximately only 1500 of them are active and capable of forming partnerships such as the analyzed IPs. Moreover, even the most active of those NGOs are, in their majority, weak in structural and fi-



nancial terms, which translates into their weak “partner” status. Furthermore, in many cases, the expertise of their staff and quality of their volunteering networks do not quite correspond with the needs and exigencies typical of the analyzed intersectoral partnerships (cf. Gumkowska, Herbst, Radecki, 2008: 12-15; see also Raport z badań... 2008: 10 and Furmankiewicz, Królikowska 2010).

The regional business sector, whose scant representation in the Podkarpackie's LAGs has already been indicated, seems to share the same drawbacks as the regional Third Sector. However, the low level of participation of business partners in local IPs has also been evidenced in other European countries, such as Ireland and Finland (see for example Esparcia, Moseley and Casals 2000: 96; cf. Kull 2009). This phenomenon might signal a major structural weakness that undermines the very idea and significance of intersectoral partnerships as an arrangement to collectively and voluntarily provide for local/regional development. However, this stipulation needs to be checked in more depth across other EU Member States, including other Polish regions. Two important business partner categories to be specifically expected to be found in such partnerships are local cooperative banks and local cooperatives.

As far as reasons for which their LAGs have been established, the respondents usually indicated more than one factor. Nonetheless, it could be stated that the decisive reason for the LAGs' establishment were local needs. *However, nearly half of the surveyed persons quite frankly pointed out the need to institutionalize intersectoral cooperation as a prerequisite related to securing their access to financial resources of the EU.* Only every fifth respondent chose an option referring to some earlier cooperative traditions in the area of local development as the basis for current collaboration within the LAGs.

These results make us tentatively conclude that despite seeming richness of social capital in the region (as evidenced by the number of the NGOs and the evidence of earlier rounds of network- and partnership-based programmes implemented in the regions as early as the first half of the 1990s – see Furmankiewicz, Królikowska 2010: ch.3), traditions of intersectoral cooperation are weak or they have played virtually no role when considering the IPs' creation. In this context the enterprising role of the local authorities in reference to the IPs becomes more understandable. Also, it agrees with the prevalent perception in the region that it is the local authorities who are responsible for local development, including provision of developmental resources. However, if the conclusion is correct, it might mean that the other partners in the IPs are indeed more motivated by purely utilitarian factors, including rent-seeking – these tentative conclusions are to be verified during the qualitative stage of the research project.

As far as identifying potential partners, the majority of the respondents indicated that all individuals and corporate bodies that might be interested in participation were invited to participate in the LAGs (see table 2 below). About 10

percent of the surveyed answered that only selected institutions and organizations were invited to take part in their LAG's creation. Nevertheless, the actual mode of selecting potentially interested local partners remains at this stage of the research rather unclear. For example, we have not learnt exactly whether all business organizations and NGOs were invited/just selected to participate in the IPs. If they were preselected, what were the criteria of their preselection? And who was responsible for formulating those preselection criteria? Every fourth surveyed person pointed to "informal contacts" as a form of recruitment. That might signal the existence of self-organizing local communities since it is usually claimed that mostly it is informal ties that help build social networks for decision-making in the area of local development and public services delivery (cf. Hardina, Middleton, Montana, Simpson 2007: 357-359). However, this might also be a symptom of the predominance of clientelist and patronage linkages within the analyzed local communities. These issues will be further investigated during the qualitative stage of the reported research project.

**Table 2.** How your LAG's members were recruited?

All institutions and organizations that could be interested in participation were invited	79,9%
Selected institutions and organizations were invited	9,4%
Information about the LAG and invitation to participate in it was published on the website	20,5%
Information on the LAG and invitation to participate in it was made public in a customary manner	18,7%
Informal contacts were used	26,7%

**Source:** Based on the authors' database

In this respect the results of our survey of the IPs in Podkarpacie are again comparable with the results of the research carried out for example in Ireland (the PRIDE survey) (Moseley, Cherrett, Cawles 2001: 185-186). As far as the importance of informal ties in local partnerships, this issue was also highlighted by Adams who argued that participation and engagement in local matters do not need official procedures. On the contrary, Adams was convinced that members of the community concerned are likely to resort to informal ways to influence local affairs (Adams 2007: 32-33). We are also inclined to believe that cooperation on the local level is mostly dependent on the density and strength of informal linkages. Without such linkages even the most favorable formal – legal and financial – conditions would not result in vibrant local development partnerships. However, what matters most is the type of the informal ties and linkages involved: whether they are typical of civic cultures or the ones plagued by amoral familism (cf. Putnam 1995).



As far as the manner in which decisions are taken within the analyzed LAGs, the procedures seem to be modelled upon those typical of representative democracy – which clearly clashes with the presuppositions (and hopes) inscribed in the theory of new public governance (see table 3 below). The overwhelming majority of the respondents pointed at voting in response to the questions concerning decision-making in their LAGs. The majoritarian voting is assumed to be the easiest way of making decisions during the general meetings of the LAGs' members. Noteworthy, relatively numerous of the LAGs' members seem to believe that other forms of arriving at decisions are difficult and time-consuming. Only 9,9 percent of the respondents mentioned "reaching consensus without voting" as the mode of decision-making practised in their LAG. These results might be interpreted as evidence of rather "conservative" attitudes towards more deliberative modes of arriving at collective decisions, which – if practiced at all by the respondents – are treated with reservation, possibly because perceived as a kind of foreign practice – untypical of the Polish local political culture. However, the preferred modes of decision-making within the analyzed LAGs might just as well evidence their façade nature.

**Table 3.** What is the way of making decisions in your LAG?

Voting	92.8%
Arriving at consensus without voting	9.9%
In a circular manner	1.8%
Hard to say	2.3%
Other	0.2%
Missing answer	2.1%

**Source:** Based on the authors' database

According to the majority of the respondents, their LAGs try to be transparent by informing local communities about their decisions and activities. To this end, they declare using various communication channels and different media. Still, the majority of the surveyed respondents indicated just the LAGs' websites as the most common way of informing the local people about the groups' activities. Slightly more than half of the respondents mentioned that the local residents are informed during open sessions of the LAGs. It could be assumed that the latter form of informing the local people is much more demanding for both the LAGs and the local communities involved. On the other hand, it would seem the best possible way to embed the LAG within and to mobilize the local community around common developmental goals as well as generating innovative inputs, building mutual trust, providing instant feedback on the LAGs' decisions and perfor-

mance. On top of that, open session attended by the local residents would appear to offer a simple and credible way to increase the LAGs' transparency and accountability. Another, related aspect of these research results – which calls for further investigation – is the fact that the LAGs seem fairly little concerned about consulting their decisions and policy choices with their external environment before the decisions and choices are made.

What is perhaps not surprising in view of our earlier theoretical analyses and hypotheses, in the opinion of the majority of the LAGs' members who responded to the questionnaire, the LAGs would not have been created had it not been for the EU's financial support. These results may be interpreted more comprehensively: the EU- promoted and funded LEADER and LEADER+ initiatives (clearly impacting upon the domestic PPL+) were not only the source of financial support for the analyzed IPs but also, or perhaps even first of all, they provided *the* stimulus for the majority of the members to establish these intersectoral partnerships. Therefore, a pessimistic preliminary conclusion in this respect is that in the case of nearly all analyzed local groups, their members would not have considered establishing an intersectoral partnership focused on communal development, had it not been for external (financial) incentives. Obviously, this provisional conclusion needs to be further verified during in-depth interviews planned for the second part of the reported research project.

Finally, the respondents turned out to be largely undecided when it comes to determining the LAGs' future prospects after the EU-related financial support is phased out. Almost half of them chose the option "hard to say" in the questionnaire. However, on a more positive note, nearly 1/3 of the respondents seem to believe that their local partnership will survive even without such external assistance. Overall, judging by the respondents' answers, the future of the LAGs in Podkarpacie seems to depend on: 1) expectations of continued external (EU) support; 2) expected benefits from cooperation between the partners involved; 3) the strength of ties linking the partners before the IP was formed; and 4) aggregate social capital that has emerged as a by-product of their collectively accomplished projects.

## Conclusions

Apart from theoretical and ideological stimuli offered by the flowering discourse on new modes of public governance and endogenous local development alongside institutional pressure and financial incentives anchored in the recent EU and national public policy formulas, the deficit of legitimacy suffered by public authorities, their decreasing effectiveness and diminished efficiency in the field of policy-making and policy-implementing amplified by the perceived scarcity of public finance ever more frequently incline political centers to extend the range of actors participating in public decision-making and to modify the exi-

sting institutional and organizational structures – especially as far as crucial policies of regional and local development are concerned. Such changes, captured by an umbrella term of the new public governance, make an increasing recourse to arrangements such as networks and partnerships as preferred structures and modes of deciding about and providing for territorial development.

Noting the many advantages resulting from the application of the network- and partnership-based approach to regional and local development, the present paper, nonetheless, pointed out several of theoretical and empirical limitations of this approach. Those limitations notwithstanding, an increasing tendency of a variety of Polish stakeholders to opt for networks and partnerships as forms and modes of their involvement in policies of development was noted. To account for these developments, the notions of institutional pressure and structural constraints were introduced. To exemplify, early World Bank's role in promoting this type of public governance in the Polish rural areas as well as the role of the European Union in the field of regional policy was highlighted. Therefore, the current mushrooming of the network- and partnership-based approach in Poland, including in rural areas, is largely due to the offer of EU's incentives accompanied by formal requirements such as exemplified by the LEADER and LEADER+ (LLP+) rural development programme.

These conclusions are amply illustrated by the case of intersectoral partnerships presented in the empirical part of the present paper. The Local Action Groups established in the Podkarpackie Voivodship have been in their overwhelming majority set up because of the structural constraints imposed by the EU's regulations concerning public programmes to trigger/sustain rural development, which were copied by the Polish Ministry of Agriculture and Rural Development. Even though, theoretically, they are meant to diminish the predominance of conventional (administrative and political partners) in the field of local rural development, in practice the LAGs often turn out to be instruments used by the local authorities because of two major reasons. The first of the reasons could be seen as strategic: since the Polish law makes the commune's (*gmina's*) authorities explicitly responsible for local development, these authorities try to fish out for and pull together all available developmental resources within their reach, including those on the EU's offer. In this case, they were proved to be the dominant force to initiate establishing the LAGs, even though – in theory – the LAGs are to “undermine” their prevalence in the field of policy of local development to the advantage of the other categories of partners – economic and civil society ones. The second reason could be seen as purely utilitarian: the local authorities, just as practically all of the other members of the IPs, are ready to take any action and to fulfill any criteria in order to get access to the EU-related funds, including setting up local intersectoral partnerships and networks – even though their further, longer-term viability might be questionable at the start.

Overall, as evidenced by the research in Podkarpacie, despite several years of their practising and normative socialization originating in the pervasive discourse of “good governance”, networks, partnerships and negotiated decision-making seem still perceived as alien forms, which are not really compatible with the Polish political and administrative and (for that matter) civic culture. In their operations, the local LAGs prove to be, on average, rather awkward, not particularly participative and not deeply embedded in their local communities. Such conclusions might be drawn from the empirical research so far. Obviously, the reported research project might generate other insights as well once its qualitative phase is completed. However, drawing on experiences from other EU Member States, it could be predicted that this operative awkwardness alongside little potential for endogenous sustainability of the IPs is likely to be confirmed. Thus, far from being a more inclusive and participatory instrument of local development and a vehicle for empowerment of civil society, the local networks and partnerships might just turn out to be another instrument used by the local authorities and other “partners” to secure external funding and pursue their particularistic aims.

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## **Europeanization of development policy in Poland: comparison with the Chinese model of endogenous growth**

### **Europeizacja polityki rozwoju w Polsce: porównanie z chińskim modelem endogenicznego rozwoju**

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#### **Streszczenie**

Celem artykułu jest porównanie polskiej i chińskiej polityki rozwoju. Wprawdzie oba państwa dzielą wiele różnic geograficznych i strukturalnych, niemniej miały one podobny punkt startu dla polityki rozwoju. Było nim odejście od gospodarki komunistycznej w kierunku wprowadzenia zasad rynkowych oraz w celu włączenia się do wymiany gospodarczej w skali globalnej. Dla ukształtowania polskiej polityki rozwoju podstawowe znaczenie miały procesy europeizacji, związane z członkostwem w Unii Europejskiej i przyjęciem europejskich wzorców instytucjonalnych. Zasadnicze znaczenie miało zwłaszcza uczestnictwo w unijnej polityce spójności. Zamierzam zastanowić się nad tym, czy europeizacja polskiej polityki rozwoju była raczej szansą czy barierą rozwojową. Czy służyła ukształtowaniu suwerennej myśli strategicznej i krajowej polityki rozwoju?

#### **Summary**

The purpose of the article is to compare Polish and Chinese development policies. Even though the countries are geographically remote and structurally dissimilar, it can be observed that their development Policies had the same starting point, namely, the turn from communist policy towards market economy principles and inclusion into the global economic exchange. The processes of Europeanization had key importance for shaping Polish development policy. Participation in the EU cohesion policy played a major role, as it shaped strategic directions and organizational principles of Polish development policy. In my article I am going to ponder the question whether the Europeanization of Polish development policy turned to be an advantage or, conversely, a development obstacle for Poland. I propose to study these matters in the context of selected characteristics of Chinese development policy.

**Słowa kluczowe:** Europeizacja, polityka rozwoju, rozwój endogeniczny, Polska, Chiny

**Keywords:** Europeanization, development policy, endogenous growth, Poland, China

## Introduction

The purpose of the article is to compare Polish and Chinese development policies. Even though the countries are geographically remote and structurally dissimilar, it can be observed that their development Policies had the same starting point, namely, the turn from communist policy towards market economy principles and inclusion into the global economic exchange.

The processes of Europeanization had key importance for shaping Polish development policy. They were connected to Poland's membership in the EU and adopting European institutional models. Participation in the EU cohesion policy played a major role, as it shaped strategic directions and organizational principles of Polish development policy. In my article I am going to ponder the question whether the Europeanization of Polish development policy turned to be an advantage or, conversely, a development obstacle for Poland. In particular, did it contribute to developing an independent strategic doctrine and national development policy? I propose to study these matters in the context of selected characteristics of Chinese development policy. External models (especially Western European) had a negligible importance for Chinese policy. Its major goal is building endogenous growth potential of domestic economy and preparing Chinese companies for successful competition on the global markets.

## Development policy in the period of transformation

Development policy is targeted at long-term improvement of economic structure in order to ensure growth and competitiveness of the economy. It is also referred to as structural policy or supply-side policy<sup>1</sup>. When the special focus of the policy are less quickly developing areas, it is also called regional policy. The policy likewise supports restructuring of troubled industries and aims to modernize economy by introducing technological and organizational innovations. Popularization of neoliberal ideals in economics also led to a concurrent critique of development policy, because within the neoliberal paradigm it was believed that boosting economic effectiveness and structural adjustment are better mechanisms of encouraging economic effectiveness. It led e.g. to a departure from traditional interventionism with regard to industrial policy.

In the course of system transformation from socialism to capitalism, Poland favoured the neoliberal approach. Several factors contributed to this bias of the economic transformation, and prominent among them were the involvement of international financial institutions, of some European countries and of the US in

<sup>1</sup> B. Winiarski (ed.), *Polityka gospodarcza*, PWN, Warsaw 1999.

the Polish transformation<sup>2</sup>. To a lesser degree, European institutions also influenced this direction. In the period of transformation, Polish economic policy was characterized by gradual marginalization of the structural approach, especially in the field of industrial policy. Likewise, the accession to the EU has to a large degree contributed to economic liberalization in Poland<sup>3</sup>. An illustration of this process was the introduction of open trade exchange with the EU, including the obligation to lift trade barriers on the internal domestic market and adjustment to rules and procedures existing on the common market. Communal institutions also encouraged Polish authorities to put into motion privatization of state-owned enterprises and supported the policy of attracting capital and production investors. In this way, the processes of Europeanization in the accession period played a key role in supporting the liberal leanings of Polish economic policy.

Whereas the liberal approach gained prominence, the hope of gaining membership of the EU also contributed to gradual rebuilding of development policy in Poland, especially on regional level. It was connected primarily with the willingness to participate in the EU cohesion policy. This was the general objective behind the so-called pre-accession programmes, which were modelled on the cohesion policy programmes. These programmes laid out the foundations of future institutions and introduced new principles and methods of managing regional policy. The programmes also initiated directions of the said policy and inspired its core documents<sup>4</sup>. Thus, the Polish development policy was rebuilt at the beginning of the 21st century. To a large degree, it was rebuilt thanks to European integration. After Poland's accession to the EU, the policy became one of the chief components of the national economic policy.

Apart from cohesion policy, one can also mention other European development-oriented initiatives that contributed to Europeanization. Their instruments of influence were subsequent EU economic strategies and integrated economic and social policy guidelines. The effect of these instruments on shaping development policy was however less prominent than that of cohesion policy. Poland occupied a low position on the ranking lists of reforms, evaluating the imple-

<sup>2</sup> M. A. Orenstein, S. Bloom, N. Lindstrom (eds.), *Transnational Actors in Central and East European Transitions*, Pittsburgh: University of Pittsburgh Press 2008; A. Nölke, A. Vliegenthart, (2009), *Enlarging the Varieties of Capitalism The Emergence of Dependent Market Economies in East Central Europe*, *World Politics* 61, no. 4, 670-702.

<sup>3</sup> Cf. M. A. Orenstein, (2008), *Out-liberalizing the EU: pension privatization In Central and Eastern Europe*, *Journal of European Public Policy*, Vol. 15, No. 6, 899-917; R. A. Epstein, (2008), *Transnational actors and bank privatization*, [in:] M. A. Orenstein, S. Bloom, N. Lindstrom (eds.), *Transnational Actors in Central and East European Transitions*, Pittsburgh: University of Pittsburgh Press.

<sup>4</sup> T. G. Grosse, (2006), *Regionalisierung und Regionalpolitik in Polen*, [in:] F. Merli, G. Wagner (ed.), *Das neue Polen in Europa*, StudienVerlag, Innsbruck, Wien, Bozen, 115-140.

mentation of goals of the Lisbon Strategy<sup>5</sup>. For this reason, in the remaining part of my article I shall focus solely on analyzing the significance of cohesion strategy for the Europeanization of Polish development policy.

## Europeanization of development policy

The processes of Europeanization can be divided into two principal stages. The first stage involves shaping of the contents of European policies on the EU level. It includes forming the content-related directions of these policies, their organizational principles and management methods. These solutions are arrived at by means of political process played between communal institutions within the group of member countries. At the same time, not all countries have the same say in shaping the EU decisions. Political scientists point out to the fact that the bigger and more experienced member states tend to dominate the discussion<sup>6</sup>. In the case of structural policy, this is often the richest countries of the EU, who to a larger extent carry the burden of financing the EU budget<sup>7</sup>. The second stage of Europeanization involves the actual processes of Europeanization, such as the transfer of patterns and regulations from the EU level to the member states. Experts highlight the fact that the influence of Europeanization on structural politics is conditioned both by the EU law and by formal guidelines of the European Commission, and by informal recommendations of the EU institutions (especially the Commission) that accompany the programme and operational documents<sup>8</sup>.

Initially, Poland was mostly on the receiving end of Europeanization patterns in the sphere of structural policy. It participated in shaping the solutions on the EU level only to a very minor degree. This is especially true with regard to the first years of Poland's participation in cohesion policy, namely the 2004-2006 period. Because Poland's accession to the EU happened in the middle of financial time horizons (which have a duration of several years), Polish government did

<sup>5</sup> *Lisbon Strategy evaluation document, Commission Staff Working Document*, SEC (2010), 114 final, Brussels 2.2.2010; S. Tilford, P. Whyte, (2009), *The Lisbon scorecard IX. How to emerge from the wreckage*, Centre for European Reform, London; S. Tilford, P. Whyte, (2010), *The Lisbon scorecard X. The road to 2020*. Centre for European Reform, London; M. Heise, (2009), *European Growth and Jobs Monitor 2009. Indicators for Success in the Knowledge Economy*, Allianz Economic Research & Development, The Lisbon Council, Frankfurt.

<sup>6</sup> This topic is treated more broadly [in:] T. G. Grosse, (2008), *Europa na rozdrożu*, ISP, Warsaw, chapter 5.

<sup>7</sup> A. Dür, G. Mateo, (2010), *Bargaining Power and Negotiation Tactics: The Negotiations on the EU's Financial Perspective 2007-13*, Journal of Common Market Studies, vol. 48, no 3, p. 557-578; V. Rant, (2010), *The 2007-13 Financial Perspective: Domination of National Interests*, Journal of Common Market Studies, vol. 48, no 2, p. 347-372.

<sup>8</sup> I. Camyar, (2010), *Europeanization, Domestic Legacies and Administrative Reforms in Central and Eastern Europe: A Comparative Analysis of Hungary and the Czech Republic*, Journal of European Integration, vol. 32, nr 2, 2010, s. 137-155.

not participate in the negotiations surrounding the shape of the cohesion policy for the years 2000-2006. Polish government only adopted the solutions which had been developed earlier and focused on their effective implementation on the national scale. As time went by, Poland started to participate more fully in creating the frameworks for the future cohesion policy.

Europeanization of Polish structural policy creates completely new conditions for pursuing economic policy. Firstly, a range of institutional, organizational and content-related solutions, as well as investment funds of structural policy, come from European institutions, and as such they have to be taken into consideration or implemented by Polish public authorities. Secondly, the national-level authorities – and especially the government administration – co-participate in planning and negotiating the final shape of cohesion policy on the EU level. On the whole, this creates favourable conditions for a multi-level management system, in which the EU and national levels play leading roles. However, local and regional authorities also participate in management. The system involves two directions of decision-making processes: hierarchical (from the top to the bottom layers of the structure) and grass roots (initiated by the bottom layers). This tendency is demonstrated by the influence which specific EU member states exert over shaping European solutions.

Another perceptible quality of structural policy in the period of Europeanization is the decision between European (cohesion) policy and domestic policy (which is referred to as domestic regional policy). There is a strong mutual connection between the two, which is proven by the fact that the dominant part of domestic regional policy in Poland is financed from investment funds earmarked for the implementation of cohesion policy. At the same time, the need to separate domestic and European policies serves two key functions. Firstly, the state's own domestic development goals need to be specified, in order to effectively co-create policies on the European level. For example, domestic regional policy is indispensable in order to successfully negotiate the European directions of cohesion policy after 2013. Secondly, domestic development policies can help to fulfil the goals that will not be achieved by EU policies. Indeed, it is worth remembering that EU policies emerge through the process of negotiation between communal institutions (mostly the EC and the European Parliament) and between the 27 member states. They are, therefore, more often than not end products of diverse agendas and interests, which do not always fully match Poland's needs. That is why domestic development policies become indispensable.

In the case of Poland, domestic structural policy plays without any doubt second fiddle to cohesion policy, and remains under the latter's strong influence with regard to organization, contents, and financing. According to some experts<sup>9</sup>, the prevalen-

<sup>9</sup> Cf. T. Godecki, G. Gorzelak, J. Górniak, J. Hausner, S. Mazur, J. Szlachta, J. Zaleski, (2012), *Kurs na innowacje. Jak wyprowadzić Polskę z rozwojowego dryfu?* Fundacja GAP, Kraków, p. 45-46, 57.

ce of cohesion policy may lead to disappearance of independent strategic development thinking, and to the loss of strategic subjectivity in development policy. This can be illustrated by the Domestic Regional Growth Strategy (Polish: Krajowa Strategia Rozwoju Regionalnego, abbreviated KSRR)<sup>10</sup>, the key document of domestic structural policy. The analysis of this document indicates that it gives minimal chances of implementation to projects that are not covered by EU funding. Until 2014, the strategy does not estimate that there will have been any changes in the system of financing regional policy in Poland. This means that the EU funds, earmarked for the purpose in the EU budget for the years 2007-2013, will remain the principal source of financing. Within this timeframe, domestic funds will almost solely be dedicated to supplementing EU funds. Also later (i.e. after 2013), EU funding will retain its dominant role in financing domestic regional policy. The authors of KSRR estimate that only approximately 10% of domestic funds will not be linked directly to supplementary financing of European programmes. It will be possible to use these funds within the framework of the domestic system of regional policy, including implementation of regional contracts (which are the main instruments of the policy). The nature of the abovementioned declarations is very preliminary. They do not carry completion guarantees that would go beyond the year 2013. The hitherto prevailing experiences with functioning of voivodship-level contracts, and repeated but failed attempts to reform public finances, make it necessary to treat the said declarations with caution<sup>11</sup>.

The above considerations lead to the conclusion that KSRR has in fact been subordinated to the implementation of the EU cohesion policy in Poland. Only to a very minor degree does it give guarantee of building domestic institutions and financial instruments that would be autonomous from European policy. In this respect, it remains a phenomenon similar to “a brainstorming session”, which generates interesting ideas, but in all probability will not have the causative power to implement them. In this situation, KSRR should not be treated as a document strengthening the system of domestic regional development policy. The document is little more than a catalogue of ideas. This is a telling illustration of weaknesses of state-level strategic planning<sup>12</sup>.

<sup>10</sup> *Domestic Regional Growth Strategy 2010-2020, Regions, Cities, Rural Areas*, Warsaw, adopted by the Council of Ministers on 13 June 2010.

<sup>11</sup> More details [in:] T. G. Grosse, M. Mackiewicz, (2003), *Zmierzch decentralizacji w Polsce? Polityka rozwoju w województwach w kontekście integracji europejskiej*, The Institute of Public Affairs, Warsaw.

<sup>12</sup> Cf. T. G. Grosse, (2011), *Viel Geld, wenig Konzept. Polen Und die Europäische Strukturpolitik*, Osteuropa, vol. 61, no 5-6 2011, p. 155-164.



## Implications of Europeanization for management

The experiences of South-East European countries show that Europeanization of structural policy leads only to surface-level of regionalization. New administrative units are launched on the regional level in order to service the EU cohesion policy, but they do not have broader competences or own funding. Meanwhile, the state government retains its dominant role in the sphere of management<sup>13</sup>.

The situation in Poland has been similar. Granted, in 1999 there were established independent regional governments in 16 voivodships. But *de facto* competences of these units are limited to servicing European programmes, and the bulk of the financial resources at their disposal comes from the cohesion policy budget. The autonomy of regional governments in Poland is especially limited by low level of own funding. This is in accordance with a tendency observed also in other EU countries, which is connected to the fact that central governments try to retain as much influence as they can over the public finance system and they tend to use the influx of EU funding to increase their control over investment policy in the regions<sup>14</sup>. Under the influence of economic crisis, they increase supervision over territorial governments, especially with respect to public debt limits<sup>15</sup>.

Meanwhile, experts point out to a relatively high level of centralization in the management of cohesion policy in Poland<sup>16</sup>. In the first period of participating in the implementation of the policy (2004-2006) there had existed only one integrated regional project, which had been managed by the central government. Later, sixteen separate regional programmes were introduced, in which regional governments achieved a significantly higher level of decision autonomy. However, the main programme directions were still decided on European and national level, and the role of regional administration was to a large degree limited to implementation. For this reason, experts argue that also in Poland the government's

<sup>13</sup> I. Bache, G. Andreou, G. Atanasova, D. Tomsic, (2011), *Europeanization and Multi-level governance In south-east Europe: the domestic impact of EU cohesion policy and pre-accession aid*, Journal of European Public Policy, vol. 18, nr 1, 2011, p. 136, 138.

<sup>14</sup> Urwin, D. W., (1998), *Modern Democratic Experiences of Territorial Management: Single Houses, But Many Mansions*, Regional and Federal Studies, Vol. 8, No 2, p. 81-110.

<sup>15</sup> This phenomenon is also observable in Poland. At the beginning of 2011, the Minister of Finance changed the method of calculating public debt in local government, and imposed new restrictions on deficits of budgetary units for the coming years. Confer: Por. Rozporządzenie ministra finansów z 23 grudnia 2010 r. w sprawie szczegółowego sposobu klasyfikacji tytułów dłużnych zaliczanych do państwowego długu publicznego, w tym do długu Skarbu Państwa (Journal of Laws, no 252, item 1692); M. Cyrankiewicz, (2011), *Rząd lata dziury nie tam, gdzie powinien*, Rzeczpospolita, 09-03-2011.

<sup>16</sup> Cf. *Ocena systemu realizacji polityki spójności w Polsce w ramach perspektywy 2004-2006*, EGO 2011, p. 36, 167.

role is manifestly that of a gate-keeper<sup>17</sup>, which is connected mostly to the centralist administrative traditions dating back to the socialist period<sup>18</sup>.

Indeed, an important quality of the Europeanization of development policy in Poland is the coexistence of two fundamental tendencies. On the one hand the said policy is strongly conditioned and inspired by the European integration, and especially by the models connected to the EU cohesion policy. On the other hand, local administrative traditions also play a major role, "filtering" and modifying the models of Europeanization and adopting them to local conditions in accordance with national mechanisms, interests and existing institutional solutions<sup>19</sup>. For this reason, the effects of Europeanization of development policy in Poland are an end result of mutual interactions of the two abovementioned tendencies.

According to experts<sup>20</sup>, Europeanization introduced a range of good governance practices into the administration of new member states. They are connected e.g. to programming actions within a strategic perspective, striving to ensure effective implementation, and regular monitoring and evaluation of structural policy. Also a majority of Polish experts stresses an improvement in quality, effectiveness, and transparency of the administration units servicing cohesion policy in Poland<sup>21</sup>. At the same time, they also signal that while good governance principles and best practices are spreading from the EU-funds related administration units to other segments of public administration, this process is slow and not very effective<sup>22</sup>. This is connected to a strong local administrative culture dating back to the socialist period.

Another inherent problem of managing development strategy in Poland is the excessive complexity of bureaucratic procedures, which is one of the chief obstacles preventing effective implementation of EU funds<sup>23</sup>. Experts<sup>24</sup> mention frequently changing regulations, and accumulation of additional formal requirements and guidelines, which, instead of facilitating the fulfilment of goals, create a disorienting labyrinth of incomprehensible and excessively demanding regulations. An additio-

<sup>17</sup> Bailey D., De Propris L., (2002), *EU structural funds, regional capabilities and enlargement: towards multi-level governance?*, Journal of European Integration, 24: p. 303-24

<sup>18</sup> Hughes J., Sasse G., Gordon C., (2005), *Europeanization and Regionalization In the EU's Enlargement to Central and Eastern Europe: The Myth of Conditionality*, Basingstoke: Palgrave Macmillan.

<sup>19</sup> I elaborate on this topic, [in:] T. G. Grosse, (2008), *Europeizacja a lokalne uwarunkowania administracyjne*, Zarządzanie Publiczne, no 1 (3), p. 69-90

<sup>20</sup> I. Bache, G. Andreou, G. Atanasova, D. Tomsic, (2011), p. 126.

<sup>21</sup> *Ocena systemu realizacji polityki spójności w Polsce...*, p. 27-36.

<sup>22</sup> *Ibid.*, p. 36.

<sup>23</sup> *Ocena systemu realizacji polityki spójności w Polsce...*, p. 172; T. Bał-Woźniak, M. G. Woźniak (eds.) (2011), *Gospodarka Polski 1990-2011. Transformacja. Modernizacja. Spójność społeczno-ekonomiczna, Synteza, Nierówności społeczne a wzrost gospodarczy*, Issue no 21, Economic University of Krakov, University of Rzeszów, Kraków-Rzeszów, p. 11.

<sup>24</sup> Cf. T. Godecki, G. Gorzelak, J. Górniak, J. Hausner, S. Mazur, J. Szlachta, J. Zaleski, (2012), p. 47-48, 60-61.



nal problem is the tendency to repressive and punitive measures, demonstrated by fiscal controllers, and an accompanying tendency of civil servants to focus on procedures and not on fulfilment of strategic goals etc. These phenomena are the results of low mutual confidence levels within Polish administration, and also of limited confidence in the administration on the part of the European Commission. These actions of civil servants are targeted chiefly at creating a comfort zone and guarding their own interests, but they are also linked to a broader phenomenon, which is the strong fear of corruption threats. The difficulties outlined above also result from the lack of accordance between EU policies, e.g. between the goals of cohesion policy and regulations of competition policy. Complicated bureaucratic procedures related to structural policy result therefore both from local administrative traditions and from the influence of Europeanization.

Another quality of development policy management in Poland is excessive concentration of absorption of EU funding, while at the same time neglecting due care for their optimal implementation in order to solve domestic development problems. This is accompanied by low effectiveness of strategic planning within Polish administration<sup>25</sup>. These qualities likewise result from both local administrative traditions and the influence of Europeanization. They stem from the dominance of cohesion policy over domestic regional policy, and also from insufficient ability to identify domestic development interest by the Polish administration. Difficulties in strategic planning also result from the lack of continuity of programming public policies by the administration. This is connected to frequent changes of governing coalitions, which follow subsequent elections. This lack of stability has especially negative effects for planning and implementation of domestic public policies. In contrast, European policies are implemented within longer timeframes, which results e.g. from long-term horizons for the policies defined in the EU budget and from relatively higher stability of European regulations in comparison with Polish legal system.

## Influence of Europeanization on the programmes

Cohesion policy is too little concerned with encouraging competitiveness and innovativeness of less quickly developing regions of the Community. Instead, it is limited to redistribution of financial resources which undoubtedly improve the standards of life of inhabitants, but are not instrumental enough in creating permanent and long-term resources for the development of local economies. This weakness tends to widen the gap with regard to developing innovative economy, which exists between Central and Northern Europe and peripheral countries of Southern and Eastern Europe. According to some experts, it is connected with excessive concentration of investments on the development of core

<sup>25</sup> *Ocena systemu realizacji polityki spójności w Polsce...*, p. 187-192.

infrastructure, and the ensuing neglect of development of human resources, and of supporting competitiveness and innovativeness of local enterprises<sup>26</sup>. As a result, the funds often generate a short-time supply bubble (local consumption is increased), which dies after the European funds cease to flow.

Additionally, cohesion policy introduces a specific categorization of European regions with regard to their development level and choice of modernization objectives. This leads to a division between EU activities, directed at developing innovative economy which are focused on the best-developing countries and regions within the EU, and activities targeted at providing core infrastructure which are implemented in less developed regions. In this way, cohesion policy paradoxically contributes to widening the gap with regard to levels of innovativeness in economy, which exists between Central and Northern Europe and peripheral countries of Southern and Eastern Europe<sup>27</sup>.

A good illustration of this problem is the distribution of cohesion policy funds in Poland. In accordance with Community Support Framework (CSF) for years 2004-2006, only approx. 17% of public funds (EU funds and connected national funds) were directed to the support of innovative economy. The main instrument of the said support was the Sectoral Operational Programme "Improvement of the Competitiveness of Enterprises, years 2004-2006" (Polish abbreviation SPO WKP). At the same time, approx. 65% of the funds was directed towards building technical infrastructure. The report<sup>28</sup> evaluating the influence of structural funds on improving the competitiveness of enterprises clearly demonstrates that in spite of massive need of Polish enterprises for encouraging innovativeness (when compared with situation in Europe), the volume of funds directed towards this end within EU funds was negligible. It did not exceed 2 % of all investments made at that time in the business sector. Additionally, these marginal funds were dispersed over all Poland, which further limited their potential of business support.

<sup>26</sup> M. Percoco, (2005), *The impact of Structural Funds on the Italian Mezzogiorno*, Région et Développement, 21, p. 142-153; J. Bradley, (2007), *Evaluating the Impact of European Union Cohesion policy in Less-Developed Countries and Regions*, Regional Studies 40(2), p. 189-199; A. Rodríguez-Pose, U. Fratesi, (2004), *Between Development and Social Policies. The Impact of European Structural Funds in Objective 1 Regions*, Regional Studies, 38(1), p. 97-113; J. Bachtler, (2010), *Renewing EU cohesion policy*, [in:] G. Gorzelak, J. Bachtler, M. Smętkowski (eds.), *Regions of Central and Eastern Europe: Development Processes and Policy Challenges*, Routledge, Abingdon, Oxford.

<sup>27</sup> P. C. Padoan, F. Mariani, (2006), *Growth and Finance, European Integration and the Lisbon Strategy*, Journal of Common Market Studies, vol. 44, no 1, p. 77-112; S. Borrás, (2003), *The Innovation Policy of the European Union. From Government to Governance*, Cheltenham, Northampton: Edward Elgar, p. 61; H. Prange, R. Kaiser, (2005), *Missing the Lisbon Target? Multi-Level Innovation and EU Policy Coordination*, Journal of Public Policy, vol. 25, no 2, p. 241-263; R. Cappel- lin, (2004), *International knowledge and innovation networks for European integration, cohesion, and enlargement*, International Social Science Journal, no 180, p. 207-225.

<sup>28</sup> *Ocena wpływu funduszy strukturalnych na zwiększenie konkurencyjności przedsiębiorstw*, PSDB Sp. z o.o. Warsaw 2008, p. 119-121.

What was lacking in particular was a coherent policy of supporting business clusters, or in other words national and regional growth centres.

This diagnosis is substantiated by another report<sup>29</sup>. European funds were not linked to a broader policy of supporting clusters and shaping the state's innovation policy. The development of clusters was limited to financing one entity (e.g. cluster coordinator) or common-purpose investments realized by that entity. What was manifestly lacking was a broader approach, that would ensure that funds would be used for a limited number of centres that had prime strategic importance for the country and for individual regions, and that would coordinate diverse support instruments intended for companies, targeted at developing infrastructure, human capital and research and development. It is worth noting that cooperation between entrepreneurs and the Academia is one of the requirements of effective functioning of industrial clusters. Meanwhile, the actions taken within the Operational Programme "Improvement of the Competitiveness of Enterprises" that were targeted to encourage such cooperation have spectacularly failed<sup>30</sup>. Over a half of projects were implemented by only one entity. This is corroborated by experts who point out to a growing devaluation of the idea of regional clusters in Poland, both in terms of lowering the expectations concerning innovations and of insufficient encouragement for building networks between business and science<sup>31</sup>.

In this context one should draw attention to research results<sup>32</sup> that prove low interconnectedness of Polish clusters. This fact stems from lack of trust between partners (both business vs. business and business vs. the Academia). Rare examples of cooperation are limited to lobbying and marketing initiatives. Polish cluster – in contrast with European standards – are few and small, they demonstrate low level of technological innovations and have negligible connection to export<sup>33</sup>. It appears that cohesion policy funds are not helpful enough in improving the international competitiveness of Polish clusters.

<sup>29</sup> Wykorzystanie koncepcji klastrów dla kształtowania polityki innowacyjnej i technologicznej państwa. Rekomendacje dla polityki stymulowania rozwoju klastrów w Polsce, The Gdańsk Institute for Market Economics, Gdańsk 2009, p. 3.

<sup>30</sup> Efekty wsparcia sfery badawczo-rozwojowej w Sektorowym Programie Operacyjnym Wzrost Konkurencyjności Przedsiębiorstw w kontekście rozpoczęcia realizacji Programu Operacyjnego Innowacyjna Gospodarka. Raport Końcowy, Pracownia Badań i Doradztwa „Re-Source”, Poznań Science and Technology Park, Poznań 2009, p. 8.

<sup>31</sup> Cf. M. Citkowski, (2010), *Polityka rozwoju w oparciu o klastry a rozwój regionalny*, The Second Scientific Conference entitled: *Endogenous Factors in the Development of Eastern Poland*, Faculty of Economics, WSEI, Lublin.

<sup>32</sup> *Klastry zaawansowanych technologii jako instrument wsparcia rozwoju i konkurencyjności regionów – analiza i wnioski dla polityki regionalnej oraz polityki spójności*, Institute for Structural Research, Warsaw 2009, p. 65.

<sup>33</sup> Ibid., p. 65-68.

Some evaluation reports<sup>34</sup> claim that there is a range of benefits for businesses who become beneficiaries of EU funds. These findings demonstrate e.g. increase of expenditure on research and development, improvement of financial results, growing numbers of customers, launch of new products, acquiring of new product markets, increase of assets. However, taking into consideration the small volume of available resources in the years 2004-2006, the reports<sup>35</sup> stress, that benefits for particular companies did not translate into an improvement of competitiveness of Polish economy as a whole. Other experts<sup>36</sup> argue that companies who received EU funding, in comparison with those who did not, have improved their competitiveness and export capabilities only to a marginal extent. This proves that the effect of EU funding on the improvement of international competitiveness of enterprises is in fact insignificant. The influence of the funds over rise in the net employment level (e.g. employment statistics that take into account seasonal labour turnover not connected to the influence of EU funds) was also low. Yet other experts<sup>37</sup> point out to the ephemeral character of actions taken to improve innovativeness, to their insufficient complementariness and weak links between different support programmes. These opinions are confirmed by press articles that report that the effects of actions taken to support innovativeness are for the most part transitory or superficial<sup>38</sup>.

A comparison between strategic and operational documents establishing the cohesion policy framework for the years 2004-2006 and those documents dating from the period 2007-2013 leads to similar conclusions. On the level of documents prepared (and implemented) by government it is not possible to see any significant change in the field of targeting cohesion policy towards aiding economic innovativeness. Whereas the number and value of investments financed from EU programmes grows exponentially (including R&D projects and knowledge transfer from the Academia to business), proportions between different expen-

<sup>34</sup> *Wpływ realizacji poddziałania 2.2.1. Sektorowego Programu Operacyjnego Wzrost Konkurencyjności Przedsiębiorstw na poziom innowacyjności polskich przedsiębiorstw. Raport końcowy*, Ecorys, Warsaw 2006, p. 4; *Wpływ realizacji Sektorowego Programu Operacyjnego „Wzrost Konkurencyjności Przedsiębiorstw, lata 2004-2006” na poziom innowacyjności polskich przedsiębiorstw. Raport końcowy*, PAG Uniconsult, Warsaw 2008, p. 4-5.

<sup>35</sup> E.g. *Wpływ realizacji Sektorowego Programu Operacyjnego...*, p. 5.

<sup>36</sup> Cf. *Ocena wpływu funduszy strukturalnych...*, p. 123.

<sup>37</sup> Cf. T. Godecki, G. Gorzelak, J. Górniak, J. Hausner, S. Mazur, J. Szlachta, J. Zaleski, (2012), p. 64-67.

<sup>38</sup> A good illustration are the effects of actions 1.4-4.1 „Support for research and development Project and implementation of R&D Project” functioning as a component of the Innovative Economy Operational Programme. In practice, the main cost burdens of this activity were connected to implementation of external solutions (e.g. purchase of new machinery and technology), and not developing own research and innovations.

Cf. K. Niklewicz, (2010), *Unia daje dotacje na badania, ale fundusze się kończą*, Gazeta Wyborcza, 14-05-10.

diture categories do not change significantly. The National Strategic Framework (Polish abbreviation NSRO), which constitute the chief document establishing the priorities of cohesion policy implemented in Poland in the years 2007-20013, expenditure connected to building innovative economy grows only by 19.8% (whereas the figure for the years 2004-2006 was approx. 17%). R&D expenditure also grows in a negligible degree, to the level of approx. 4-5-% (whereas the figure for the years 2004-2006 was approx. 3%). Infrastructural projects remain prominent, their costs reaching approx 65% of the NSRO.

## An example of China's development policy

The chief goal of Chinese economic policy is accumulation of capital and endogenous growth of domestic companies. In the initial stages of the transformation, it was important for China to be incorporated into the global economic system in such a way as to fulfil the abovementioned goal. This included e.g. opening up the country for foreign investors – especially coming from the circles of the Chinese diaspora<sup>39</sup>, but also for large corporations operating on an international scale. This strategy focused on using the assets of Chinese economy, e.g. cheap workforce and enormous buying power of the Chinese market. The challenge was to incorporate China into trade exchange and industrial production system existing in the region. In the 1970s and 1980s, when China opened to the world, the economy of East Asia was dominated by Japanese cooperative networks. These networks included also the Four Asian Tigers, i.e. South Korea, Singapore, Taiwan and Hong Kong. The characteristic feature of this network was the high level of internal cooperation, whose end products would be offered on American and European markets. Japan played a leading role in the network, practically coordinating the functioning of regional cooperation, and it also reaped the benefits. For this reason, the system in which Japan spearheaded the group, was picturesquely named the flying geese formation.

China not only did not join the system, but gradually succeeded in its reorganization, practically replacing Japan in the role of the leader and chief coordinator of the economic exchange between East Asia and the West<sup>40</sup>. Currently, export activities of many Asian countries centre on China, where the end products are manufactured and in turn exported to the USA and the EU. This is a good illustration of Beijing's systemic thinking in geoeconomic categories. The goal is not only achieving short-term gains from the export, but also creating stable mechanisms

<sup>39</sup> Cf. A. Y. So, (2009), *Rethinking the Chinese Developmental Miracle*, [in:] H.-F. Hung (ed.), *China and the Transformation of Global Capitalism*, The Johns Hopkins University Press, Baltimore, p. 59.

<sup>40</sup> G. Arrighi, (2009), *China's Market Economy in the Long Run*, [in:] H.-F. Hung (ed.), *China and the Transformation of Global Capitalism*, The Johns Hopkins University Press, Baltimore, p. 22-49; Ho-Fung Hung, (2009), *Introduction*, [in:] H.-F. Hung (ed.), *China and the Transformation of Global Capitalism*, The Johns Hopkins University Press, Baltimore, p. 12-13.

of trade exchange that ensure the accumulation of capital. These mechanisms are strengthened by political cooperation, whose signs are e.g. closer cooperation between China and the ASEAN<sup>41</sup>, and the launch of the Shanghai Cooperation Organization in 2001.

The result of the processes described above is the trade deficit between the EU in China, which has been increasing for many years. In 2000 the deficit had amounted to 46 milliards Euro, and in 2007 it quadrupled to 160 milliards<sup>42</sup>. At the same time, it should be pointed out that the EU trade deficit is not distributed equally between all Asian countries, but concentrated on the exchange with China. The EU tries to impose numerous protective barriers against Chinese exports and initiates anti-dumping procedures. Doing this, the EU is trying to exploit China's status of a non-market economy, assigned when China entered the World Trade Organization in 2001. This status shall hold until 2016, even though Beijing is energetically lobbying for an earlier re-evaluation. Should this scenario occur, protecting the European market will prove more difficult and possibilities for Chinese export to and investments in the EU shall be increased.

Industrial policy is an important element of Chinese long-term approach to endogenous growth<sup>43</sup>. It not only creates general conditions of growth, but also actively directs the processes of increasing competitiveness of the domestic economy<sup>44</sup>. The elements of the system involve e.g. flexible regulation of different sectors and industries and centralized control over growth processes. The state gradually introduces conditions of market competition, which however vary strongly from sector to sector. In some sectors, competition is consciously restricted to only a handful of entities (in order to build industry champions), or only exists between state-owned companies, or Chinese (state-owned and private) companies. This way, property is also controlled, as an element of power over a selected segment of economy, and that ensures easier oversight over growth processes on the part of the state.

The division into strategic and non-strategic sectors is of key importance to Chinese industrial policy, and the definition of strategic sectors is relatively broad. They entail not only activities connected with national security (e.g. technolo-

<sup>41</sup> ASEAN (*Association of South-East Asian Nations*): An illustration of this cooperation is the development of ASEAN+3 formula, developed in 1997 as an answer to the economic crisis in Asia, which involves cooperation between ASEAN countries and China, Japan and South Korea.

<sup>42</sup> N. Cesarini, (2009), *Remaking Global Order. The Evolution of Europe-China Relations and its Implications for East Asia and the United States*, Oxford University Press, Oxford-New York, p. 59.

<sup>43</sup> For more detail confer: R. Hsueh, (2011), *China's Regulatory State. A New Strategy for Globalization*, Cornell University Press, Ithaca-London.

<sup>44</sup> J.-M. Rousseau, (2011), *How China is Re-Reading its Past and Re-Building its Future... From a theoretical territorial approach to a realistic meso-analysis of China*, in: *The Future of Regions – The Megaspaces of the XXI century*, (red.) P. Artymowska, A. Kukliński, P. Žuber, Ministry of Regional Development, Warsaw, p. 191-236.



gies that have military application), but also industrial security (and for this reason, energy sector and financial sector are recognized as strategic). Furthermore, Beijing considers all industries that build the technological basis for the domestic economy as strategic. This shows how much importance is accorded to the development of innovations and modern technologies. Likewise, industries in which domestic companies are palpably less competitive than foreign corporations are recognized as strategic.

The state is much more controlling when it comes to growth processes in strategic sectors. With regard to other sectors, economic management and state supervision are often decentralized, also in their regulatory aspects. The state is much more supportive of restructurization, research and development and innovation in the strategic sectors than in others. The banking sector is especially significant in this context, because it is the source of cheap financing for new investments or for companies' restructurization. Precisely for this reason, it is recognized as strategic for the development of endogenous economy and it remains under strict regulatory and proprietary control of the state. Many loans handed to companies are unprofitable, especially on local and regional level. However, this seems to be the price for very dynamic investments that are initiated by the rank-and-file on the local level. The government periodically recapitalizes the banks or decrees central financial institutions to take over their "bad debt"<sup>45</sup>.

Market competition is limited in foreign sectors, and similarly limited is private and foreign ownership of companies (e.g. the government makes it possible to operate on a given market only for state-owned companies, and acts as a gatekeeper, limiting chances of new players to enter the market). The access of foreign investors and competitors to the market is also strictly controlled. For example, foreign corporations can invest in China mostly only when they strike up joint ventures with domestic companies, and under the condition that they make available their knowhow and technologies. The percentage of foreign investments does not as a rule exceed 10% of value of a given company, and it has no significant effect on management of the enterprise. Foreign investments do not for the most part involve the main spheres of activity in a given sector, public infrastructure or public utility services.

As I argued before, Chinese authorities attach great importance to technological growth of Chinese companies. This involves creating innovations and new technological solutions. Measures taken to that effect include strict scientific and innovation-centred policies<sup>46</sup> and development of education and human resources promotion systems, whose elements is e.g. the presence of numerous Chi-

<sup>45</sup> Cf. Ho-Fung Hung, (2009), *A Caveat. Is the Rise of China Sustainable?*, [in:] H.-F. Hung (ed.), *China and the Transformation of Global Capitalism*, The Johns Hopkins University Press, Baltimore, p. 192-193.

<sup>46</sup> Cf. N. Cesarini, (2009), p. 95-99.



nese students at the world's top universities<sup>47</sup>. Apart from that, Chinese economy also absorbs foreign solutions. International corporations are the most popular source of these innovations, as their willingness to share technical expertise and knowhow with local partners is a condition of their presence on the Chinese market. This is an example of a policy that is meant to trigger diffusion of innovations and bring new solutions to slower developing local companies. For Chinese authorities, attracting the world's most innovative companies and persuading them to build research centres in the country remains a top priority (currently, research centres of Microsoft, Oracle, Motorola, Siemens, IBM and Intel among others are located in China)<sup>48</sup>.

An important method of acquiring technologies are foreign investments of Chinese companies or funds (e.g. China Investments Corporation. Many of these investments are located in Europe, and the economic crisis of the Euro-zone increases possibilities of cheap takeover of companies who possess resources important for the Chinese side. Additionally, academic exchange programmes can also become a source of technologies. This includes programmes connected to the co-operation surrounding the Galileo system, which are partly funded by European framework programmes. According to some sources<sup>49</sup>, the Chinese also tend to buy foreign technological solutions in bulk, without respecting intellectual ownership rights, and use industrial and economic espionage (also via the internet).

All these diverse actions result in systematically making the Chinese economy more innovative and technologically advanced. Research conducted under the auspices of the European Central Bank proves, that the technological content of Chinese production is rising exponentially, and surpassed that of European production in 2007<sup>50</sup>. Chinese companies not only move towards more the technologically competitive end of scale (higher up on the production ladder), they also attempt to encompass the totality of production system, from the design stage, through controlling subsequent stages of production and assembly, to organizing own distribution chains<sup>51</sup>. In some industries, Chinese companies therefore occupy a leadership position on many stages of the production chain. Capitalizing on low production costs or occupying a niche position were however viewed by the Chinese authorities as their final target. It was only a transitory

<sup>47</sup> A broader overview of this issue to be found [in:] A. Saxenian, (2007), *The New Argonauts*, Cambridge MA: Harvard University Press.

<sup>48</sup> A. Y. So (2009), p. 56.

<sup>49</sup> E.g. Timothy Geithner: *China 'Very, Very Aggressive In Stealing U.S. Technology*, Hoff Post Business, The Internet Newspaper, January 13, 201 [www.huffingtonpost.com](http://www.huffingtonpost.com), a2, [www.huffingtonpost.com](http://www.huffingtonpost.com), 13.01.2012.

<sup>50</sup> Quoted from N. Cesarini, (2009), p. 64.

<sup>51</sup> For more details confer: R. P. Appelbaum, (2009), *Big Suppliers in Greater China*, [in:] H.-F. Hung (ed.), *China and the Transformation of Global Capitalism*, The Johns Hopkins University Press, Baltimore, p. 65-85.

stage, whose objective was gathering experience and amassing potential necessary for further expansion. The final goal is gradual achievement of economic domination, and changing economic co-dependence into hierarchical relationship that makes China's trade partners dependent on Beijing, and allows China to write the rules of the game.

Development policy conducted by the Chinese government is on the opposite extreme to neoliberalism. Some experts<sup>52</sup> class the Chinese economic transformation as a combination of Keynesianism with the Asian model of a developmental state. In the case of China, this model was more heavily decentralized than in other "Asian tigers". The goal was to free the grass-roots potential and to integrate the less rapidly developing regions of the country into the modernization process. This policy was expressed by significant decentralization of the public finances and by introducing a range of incentives and controlling mechanisms that force local authorities to get involved in grass-roots investments. An example of such activity was a programme of supporting entrepreneurship in smaller towns and rural areas called *Town-ship and Village Enterprises*<sup>53</sup>, which encompassed a range of fiscal incentives, a system of evaluation and development of local and provincial human resources that was tied specifically to economic results etc. Chinese development policy uses various instruments to support the less-growing provinces and autonomous regions, as well as diffusion processes of the growth from the fastest-growing east coast to central and western areas. It creates the incentives for business development in the weaker regions, which include preference among credit from the state banks<sup>54</sup>.

In my view, the geoeconomic strategy was the heart of the Chinese transformation. The strategy, through its reliance on endogenous development, was targeted at raising China's international position, both on the economic and political plane. This entails first of all the attempt to dominate external economic relations. Such stance builds a potential of assertiveness in view of foreign political pressures. An example of this strategy is China's long resistance against pressures to devalue Chinese currency. Monetary policy remains an important tool of supporting competitiveness of domestic economy and promoting export (and as such, it helps to accumulate capital). At the same time, Beijing's political autonomy allows it for the most part to play down external pressures. Thanks to that China's policy has avoided the tendency to excessive dependence on external patterns and funding. National development strategy is adapted to local conditions, focused on the objectives of the endogenous development and is funded mainly

<sup>52</sup> Por. A. Y. So, (2009), p. 50, 55.

<sup>53</sup> Described more extensively [in:] J. Unger, (2002), *The Transformation of Rural China*, M.E. Sharpe: Armonk.

<sup>54</sup> L. Branstetter, (2007), *China's Financial Markets: An Overview*, [in:] *China's Financial Transition at a Crossroads*, (ed.), Ch. W. Calomiris, Columbia University Press, New York, p. 23-78.

from national funds. It is worth quoting the results of econometric studies which show that long-term GDP growth in China is not the result of external capital investment and relatively little (compared to other developing countries) is due to the inflow of foreign direct investment (FDI). It is also not related to foreign debt (which is less than 20 percent of Chinese GDP). It is, however, driven mainly by strong domestic investment<sup>55</sup>. These results describe the success of endogenous development policies pursued in the China.

## Conclusion

Concluding the above analysis one should point out two characteristic features of the Europeanization processes in the field of development policy in Poland. Firstly, the policy is strongly subordinated to European models and to EU cohesion policy. In spite of this, local administrative tradition also plays an important role, visible e.g. in the high level of decision centralization, low competences in the sphere of strategic planning, and high level of distrust inside bureaucratic structures. Secondly, national-level public administration is for the most part only the recipient of European models; its active role in shaping policies on the European level is minor. And thirdly, it is difficult to talk about the development of domestic structural policy that would be autonomous from or dominant over the EU cohesion policy. This is a clear manifestation of the weakness of national strategic thinking and lack of ability to identify valid priorities, interests and objectives on the national level. It is also an effect of the lack of reform of the public finance system, which would enable to establish investment funds earmarked for domestic development policy. Furthermore, a relatively strong neoliberal bias present in Polish politics since the systemic transformation of 1989 constitutes another obstacle for drafting a structural policy.

Under the influence of cohesion policy, development policy implemented in Poland is overly directed towards traditional infrastructural goals, especially towards realization of communication and environmental projects<sup>56</sup>. The resources are not sufficiently directed towards structural changes that would encourage competitiveness and innovation. It is specifically for this reason that Danuta Hübner – the former EU Commissioner in charge of cohesion policy – had seen fit to caution Polish government against repeating the mistake made by Spain, who

<sup>55</sup> See: G. Bekaert, C. R. Harvey, Ch. Lundblad, (2007), *Financial Openness and the Chinese Growth Experience*, [in:] *China's Financial Transition at a Crossroads*, (ed.), Ch. W. Calomiris, Columbia University Press, New York, p. 202-280.

<sup>56</sup> I elaborate on this topic [in:] T. G. Grosse, (2007), *Innowacyjna gospodarka na peryferiach?* The Institute of Public Affairs, Warsaw, chapter 6; T. G. Grosse, (2010), *EU Cohesion policy and the peripheries of the new Member States*, [in:] G. Gorzelak, J. Bachtler, M. Smętkowski (eds.).

used the EU funds in order to improve traditional infrastructure, while neglecting research and development<sup>57</sup>.

The extant proprieties of cohesion policy in Poland are in line with the established Polish economic model, shaped in the period of system transformation and EU integration. This model is based on significant presence of external investments (both public and private). Opening the economy for foreign investors is a common practice in the era of globalization, but in order to ensure long-term growth of the local economy it is crucial to choose the right method of joining the international trade exchange. This problem is analyzed in depth in the seminal book edited among others by the Nobel Prize winner Joseph E. Stiglitz<sup>58</sup>, which compares mechanisms of economic transformation in Latin America and East Asia. The study demonstrates the key significance of priorities of the industrial policy of the domestic government, which should be oriented towards building competitiveness of the local economy. Likewise, the influx of external capital and direct investments should be subordinated to this superior goal of the country's development strategy. One can also quote here another study which draws attention to risks relating to excessive reliance on foreign savings while encouraging growth<sup>59</sup>. Pereira's book draws attention to the key importance of the country's autonomous development strategy, based on building the country's competitive advantage, in the era of globalization.

The model of economic policy adopted in Poland can be denoted "exogenous" because it develops domestic endogenous resources only in a relatively small degree. It relies heavily on external investments that are oriented towards using and encouraging the domestic demand potential. The main actors of modernization of Polish economy were supposed to be foreign investors, the process was in fact left in the care of automatic market processes. The influx of foreign capital, and import of external economic institutions (including organizational and technological solutions) has indeed balanced the Polish deficit of experience and capital, but has only insufficiently taken into account Polish economic and social reality and internal development objectives. In this way, it created a development model dependent on external capital sources, and subordinated to the interests of Western investors, which inevitably are more focused on short-term economic speculation (e.g. on the currency market or real estate market) and on tapping into local consumption potential, than on long-term investments that would help to modernize the economy<sup>60</sup>.

<sup>57</sup> Cf. D. Hübner, (2010), *Sześć lat w Unii. Potrzebujemy niekonwencjonalnego myślenia*, Gazeta Wyborcza, 29-04-2010.

<sup>58</sup> M. Cimoli, G. Dosi, J. E. Stiglitz (eds.), (2009), *Industrial Policy and Development. The Political Economy of Capabilities Accumulation*, Oxford-New York: Oxford University Press.

<sup>59</sup> Cf. L. C. B. Pereira, (2009), *Globalization and Competition. Why Some Emergent Countries Succeed while Others Fall Behind*, Cambridge-New York: Cambridge University Press.

<sup>60</sup> A similar opinion was expressed by J. Staniszkis, (2003), *Władza globalizacji*, Warsaw: Scholar, p. 22.

The directions of cohesion policy in Poland are strengthened by the internal demand which e.g. encourages importing of consumer goods. The demand also stimulates production investments which are targeted at selling to the local consumers on the internal market. Simultaneously, development of transport infrastructure boosts the trade exchange, especially import and export of components produced by international corporations. No wonder that cohesion policy implemented in Poland has brought a range of direct and indirect benefits for Western European countries. Experts believe that approximately 5% of all financing from EU funds in Poland was spent on Project submitted by companies originating from EU-15 countries, who applied for funding on Projects within cohesion policy framework<sup>61</sup>. In the years 2000-2008 these companies fulfilled orders to the total sum of 1.1 milliard Euro. And we should remember that indirect benefits, connected to encouraging trade exchange, are much greater still. In the years 2004-2009 they were estimated to amount to 4.5 milliard Euro, i.e. 27% of all resources coming to Poland under cohesion policy. An estimate of total benefits of Western European countries for the years 2004-2015 reaches the amount of 37.8 milliard Euro, i.e. approximately 46% of EU funds directed to Poland during the period. Some countries register a much higher level of benefits. This is especially true in the case of German, French and Italian economy. For example, for every Euro that Germans pay into the EU budget towards implementing cohesion policy in Poland, they get back (in the form of direct and indirect benefits) over 85 cents (!).

The final results of development policy in Poland are influenced on the one hand by the Europeanization, and on the other by local administrative tradition. This does not diminish the towering importance of European models for the directions of structural policy in Poland. It is the reason behind the perceptible tendency towards basing the development more strongly on exogenous factors (and foremostly on the resources on foreign investors) and on cohesion policy funds<sup>62</sup>.

Interesting is the comparison between Polish and Chinese experiences. A characteristic feature of Chinese economic transformation is the gradual approach, which directly opposes the "shock therapy" approach, constituting a characteristic feature of the transition from communism to capitalism in Central European countries<sup>63</sup>. The goal in China was not to quickly implement free market economy models, particularly those that are linked to neoliberal economic doctrine. To the contrary, it was targeted at gradual introduction of mechanisms of free market

<sup>61</sup> Cf. *Ocena korzyści uzyskiwanych przez państwa UE-15 w wyniku realizacji polityki spójności w Polsce*, Institute for Structural Research, Warsaw 2010, p. 74-79.

<sup>62</sup> A broader treatment of this topic [in:] T. G. Grosse, (2010), *Bariery dla skoku cywilizacyjnego Polski 2010-2030*, [in:] A. Kukliński, K. Pawłowski, J. Woźniak (eds.), *Polonia quo vadis?* Library of Małopolska Development Policy Observatory, volume III, Kraków, p. 93-115; T. G. Grosse, (2010), *Europeizacja*, [in:] W. Morawski (ed.), *Modernizacja Polski. Struktury, agencje, instytucje*. Wydawnictwa Akademickie i Profesjonalne, Warsaw, p. 289-316.

<sup>63</sup> A. Y. So, (2009), p. 61.

competition on the internal market in order to consistently build the competitive advantage of Chinese companies on the global economic scene. At the same time, the decision makers were trying to prevent excessive reliance of the economy on external actors. The goal was to strengthen endogenous economy and to build the most profitable mechanisms of trade exchange in the region and globally. This approach is in stark contrast with the transformation model adopted in Central Europe, where transformation policy led to heavy dependence of the domestic economy on outside factors – a fact that is not without serious economic and political consequences<sup>64</sup>.

As it appears, one of the causes of different results of transformation of the post-communist countries in Central Europe and China was a different geo-economic perspective. The Chinese way led to accumulating capital which was indispensable in order to achieve its goals in the field of foreign policy, and especially in order to raise China's status on the international arena. Within this perspective, maintaining the state's control over the growth processes and supporting endogenous growth of domestic companies were conditions of success. Meanwhile, Central European countries, striving to be admitted into Western European structures, have uncritically accepted neoliberal models and accepted the domination of external actors in many strategic sectors of economy. Geopolitical goals also played a primary role, but economic policy was not an instrument of building internal competitive advantages in the long-term time horizon. More often, it served to create the most beneficial conditions for foreign investments, in order to strengthen political links through economic dependence.

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<sup>64</sup> For more details confer: A. Nölke, A. Vliegenthart, (2009), *Enlarging the Varieties of Capitalism. The Emergence of Dependent Market Economies in East Central Europe*, World Politics, vol. 61, no 4, p. 670-702.





## **Multi-Level Governance: possibilities for implementation in Poland**

### **Multi-Level Governance: możliwości wdrożenia w Polsce**

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#### **Streszczenie**

Wzrost złożoności zarządzania rozwojem społeczno-ekonomicznym przez państwo wymaga dostosowań administracji. Przyjęły one formę poprawy jakości funkcjonowania dzięki nowym technologiom i lepszemu organizowaniu pracy, ale też uwzględnienie interesów i opinii innych interesariuszy, reprezentujących różne milieu (New Public Management) i poziomy organizacji terytorialnej (MLG). W Polsce czynnikiem sprzyjającym upowszechnieniu elementów MLG jest decentralizacja państwa i udział w polityce spójności UE. Są też i bariery: nadmierna autonomia jednostek terytorialnych, niska jakość hybrydowego systemu instytucjonalnego, słabość kapitału społecznego. W takich warunkach pełne wdrożenie MLG nie obejdzie się bez całościowej reformy instytucjonalnej.

#### **Summary**

Increasing complexity of socio-economic development requires adaptation on the administration side. It took a form of improvements in terms of performance quality thanks to new technologies and better organization, also through taking into account interests and opinions of other stakeholders, representing different milieus (New Public Management) and other levels of territorial units (MLG). In Poland main factors facilitating introduction of MLG relate to decentralization and participation in European Cohesion policy. There are also barriers: excessive autonomy of territorial units, low quality of the hybrid institutional system, weakness of social capital. In such circumstances full implementation of MLG will not be possible without holistic institutional reform.

**Słowa kluczowe:** Polska, Multi-level Governance, New Public Management, ewolucja administracji, efekty

**Keywords:** Poland, Multi-level Governance, New Public Management, evolution of administration, effects

## Introduction

The recent decades have witnessed a growing interest in how to improve the operation of the institutional system, notably that of the public administration since it is frequently perceived as the very heart of the system, which has a strong bearing on the shaping of its other elements, and thereby on the efficiency and effectiveness of the adopted development policies. Such an increasing interest can be explained by at least three interrelated reasons. The first is the progressing globalisation (and its opposite, regionalisation), both phenomena being accompanied by the growing competition. The second is associated with the easily observable change of the development paradigm (and its drivers), which is now taking place as the post-industrial economy and information society are getting established more and more firmly. The third reason is underpinned by the need to stimulate various “soft factors”, by way of a more robust cooperation between different players, networking, and a more efficient management of different kinds of flows. The latter aspect can be seen particularly distinctly in the establishment of supra-national territorial organisations (such as the European Union, NAFTA, ASEAN and others), which increasingly aim to maintain and strengthen their role globally. Similar phenomena can also be noticed at the local level: this is where there is both a growing need and an increasing pressure to form linkages, associations, networks which bring together the local communities for pursuing common objectives. Recently, such relationships of various types are more and more being established vertically, with a view to solving problems that call for unlocating the resources available to various players at various levels. Arguably, one general hypothesis may be formulated, that in the face of increasing competition, such integration processes make it possible to trigger mechanisms which help to more rationally use the resources at hand, and thereby to improve the competitive position vis-à-vis competitors. One important, though sometimes underutilised, tool in such rationalisation, relating to public administration and its activities, has been the use of evaluation as an inherent and integral component of management, and subordinating strategic decision-making processes to evidence-based procedure (that is looking at the results achieved so far). Evaluation as a tool represents a significant aspect of the public management debate (Ferlie 2011).

The paper looks at the possibilities (the facilitating and hindering factors) of a wider use in Poland of Multi-Level Governance, or MLG, one of the most advanced forms of public management, with a special emphasis on the regional level. Before embarking on any further analysis, it should be noted that Poland is a country where only 22 years have passed since the market reform and barely 14 years since the introduction of the country's new territorial organisation. Interestingly, the reform largely bypassed a considerable part of the state administration, apparently in the belief that, when placed under democratic control, it

would adjust itself to the new situation. Thus, it was tacitly (and not quite rightly) assumed that the administration does not have any interests, including its own, other than serving the public at large. However, when we look more closely at how the administration system operates, we will see that it does support structures, mechanisms, policies either inherited from the traditions and administrative arrangements known before 1989 or those either generated or imported after this date (mainly under the influence of the EU alignment), which were occasionally inconsistent or confrontational in terms of their practical consequences. In general terms, it could be said that the philosophy that the Polish administration goes by is in its daily workings is embedded in the traditions of the old regime (the times of the People's Republic of Poland, or PRL), when the role of the administration was to serve the authorities and obey their decisions, instead of the public at large. Perhaps this was the crucial problem here: organisational structures are easy to change, unlike human habits and routines, or organisational cultures in particular. In such a situation, any attempt to introduce MLG is nothing but easy. An important reason for this is the fact that this concept was formed as a result of the evolution of the very notion of public administration, taking place globally for several decades now. For this reason, before we analyse the situation in Poland, we need to look at the changes which took place in the models of administration and which are increasingly oriented towards a broadly understood notion of New Public Management (NPM) or its variation, known as *good governance*<sup>1</sup>.

Let us start with some remarks concerning the key terms used in the analysis. As it happens, the majority of the relevant literature has been written by authors writing in English. It should be borne in mind that some of the popular and widely acknowledged terms are difficult to render in translation. One such example is the term *sustainable*, which has in many countries been associated with a balanced development understood in the way the Green parties do, reducing its meaning to the one associated with nature conservation<sup>2</sup>. We encounter similar problems with the key notion of *governance* and how it differs from *government* (governing, that is the competency arising from the legislation in force and exercised by the specific state authorities to set goals, make decisions and enforce

<sup>1</sup> Such an approach is adopted in the UNESCAP (United Nations Economic and Social Commission for Asia and the Pacific) agenda, which has largely popularised this concept and which defines good governance as "the process of decision-making and the process by which decisions are implemented (or not implemented)" (<http://www.unescap.org/pdd/prs/ProjectActivities/Ongoing/gg/governance.asp>; [accessed 20.03.2012]).

<sup>2</sup> Rarely does it happen to render an English term succinctly and accurately as the French did with the word *durable* (sustainable, e.g. development).

decisions)<sup>3</sup>. On the other hand, *governance* (which initially was equalled with *government*) is a term more and more frequently related to the decision-making process and – in consequence – to the decision-enforcing process (UNESCAP): one which is affected by a greater number of non-governmental bodies. In such a system, setting goals is not limited to the competent state authorities, but allows for the participation of civil society in order to jointly reach crucial decisions regarding policy or specific investment decisions (such as those on nuclear power stations for example). Therefore, if we said earlier that globalisation forced some changes in the institutional system, it should be added that another, no less important factor, has been the emergence of civil society, which has more and more effective tools of influence at its disposal. At the same time, increasing the kinds and the number of players participating – in a variety of ways – in the decision-making process, influencing this process or bearing the consequences of the adoption and execution of such decisions, makes it more and more possible to speak of a circle of stakeholders, varying in time and space. This term encapsulates all the entities having an interest in a given matter.

Naturally, the process of transition from *government* (governing and managing basically discharged by the state structures) to *governance* (governing and managing comprising elements of varied participation, both formal and informal, at the individual stages of the process) is not “either or” system. Neither were there any systems of power in the past where the state would have the monopoly of power and not succumb to any influence whatsoever. By a similar token, today’s state structures been replaced by completely fluid coalitions of co-deciding stakeholders. In order to understand the contemporary phenomenon of governing (and management, understood as a process whereby decisions are put to life), our starting point should be an extensively elaborated theory of model administration, developed by the German scholar Max Weber. In turn, the criticism of this ideal type prompted an analysis of new models, constructed both as a result of the observations of spontaneous changes occurring in the decision-making processes and in theoretical concepts which set out to describe the necessary pre-conditions for optimising decisions taken in a changing, if not volatile, increasingly complex and globalising world (Mazur 2003; Geodecki et al. 2012). Let us begin with the Weberian model

<sup>3</sup> Let us take this opportunity to clarify other terms which are widely used but not necessarily correctly understood. These include: management refers to activities which do not include setting (as they are determined by some other, competent entity) but include the right to adjust tools and shift resources to ensure best possible achievement of the goals. Implementation assumes that all the tasks will be carried out to the letter (without the right to set goals nor to independently make changes regarding tools or resources. Such hierarchic notions represent an example of the transposition of *acquis communautaire* in the field of Cohesion policy.

## Frame of reference: the classical Weberian model

The functioning of the state and administration was studied by many eminent authors (ranging from Plato to Machiavelli, Tocqueville and our contemporaries), but a special place among them is due to Max Weber, strongly influenced in his work by Frederick Taylor, father of the scientific theory of management. Weber made a name for himself as the author of the only so far, complete ideal model of the administration (English edition 1947). This is mostly a normative model, partly informed by the realities of a given situation, but also one which highlighted attributes which were expected to free administration from the arbitrariness of officials in the decision-making process, and from external influences (be they political, social or merely nepotist) or, more broadly speaking, from voluntarism. In its structure, the Weberian model was based on predictability, objectivity, professionalism and rationality of decisions. There is quite a widespread opinion, however, that the contemporary administration has little in common with the classical Weberian theory of bureaucracy (administration). Any statement of its complete dissimilarity may only serve to underline the new characteristics and developments that can be observed in the administration. Nevertheless, the core features of this theory are permanent, as we will try to demonstrate below (cf. Sztompka 2002).

Weber distinguished six fundamental features (principles) defining the ideal model, with which the actual administrative structures should be aligned:

1. Hierarchical structure (principle of seniority);
2. Impersonal regulations form the basis of management (and enforcement of decisions);
3. Specialisation and division of labour;
4. Clearly articulated mission;
5. Depersonalisation;
6. Formal qualifications as the basis for employment and promotion (well-defined career paths).

It was expected that obeying these principles (which was interpreted in a variety of ways by successive researchers of Weber's output) would lead to the emergence of a group of professional clerks with top qualifications and ethical standards, who would use nothing but their best knowledge and objective criteria in the decision-making process. In comparison to the earlier systems of administration, where informal influences, no clear decision-making criteria, vague career paths, etc., were commonplace, the Weberian model, owing to its simplicity, seemed a promising way of promoting rational administration.

Just as any ideal model, it has met with criticism from the very beginning. A number of objections have been raised both regarding its conceptual aspects and following observations of social, economic and political processes and developments. There have been too many such objections to be mentioned here.

In a nutshell, it could be said, though, that at the time this model was developed (early 20th century), there was still a widespread belief in the progress of science and knowledge and in the possibility of building an ideal world. This conviction, however, was undermined by the changes taking place in the society and by the two great wars. Observations made by scholars (e.g. from the school of human relations with its father, Elton Mayo) also demonstrated that the world of all organisations has a significant group and informal dimension, one that basically leaves little room to professionalism, objectivity, etc. Among the most eminent critics of Weber's theory there is certainly Michel Crozier (1967), who, in his elaborate study, investigated in detail the key problem of bureaucracy, that is the vicious circle of its inability to operate efficiently (or rationally, as Weber would have put it). According to this theory, the vicious circle stemmed from the impersonality of the regulations, excessive centralisation, isolation of individual organisational levels and the formation of relationships of power around spheres of uncertainty rather than the place in the hierarchy. Another scholar, Robert Merton, stressed in his critique of the model of bureaucracy, that the mechanistic patterns of behaviour imposed by an "ideal" bureaucracy make impossible all decision-making in situations out of the ordinary, which are not governed by the rules and go beyond the officials' competencies (1982). He dubbed this phenomenon 'trained incapacity', thereby accusing Weberian-type administration of being utterly unable to innovate (as we would contemporarily say), and this could indeed be regarded as a significantly pathological, if not undesirable, situation. Some critical opinions about the traditional administration being incompatible with the requirements of the present era were also expressed e.g. by Hughes (2003). The belief in the possibility of building an ideal administration was further undermined by the recent, numerous studies on the limited rationality of human behaviour, which as a result questioned the rationality of organisations (cf. Simon 1997).

There can be little doubt that the contemporary society is much more complicated, better educated and more difficult to govern than nearly a hundred years ago, when scientific management and belief in progress were in their prime. The administration of the day was not responsible for such a broad and varied spectrum of the spheres of social life as today (ranging from cleaning and communication to R&D policy). Moreover, never before has the administration been obliged to cooperate so closely with so many institutions both at home and abroad. The so-called institutional thickness (a term popularised by Amin and Thrift, 1994) has reached an astounding level and little suggests that its development is to change, especially because the civil society is characterised by an extremely robust dynamic and variability of objectives and forms of activity. As we could see on the occasion of building a massive coalition against the ACTA agreement, with the dissemination of ICT, the civil society has acquired a powerful tool of both mobilisation and influence.

As mentioned above, despite all the changes that took place in its environment and within the administration itself, the administration is strongly inclined to maintain many of the features of the traditional Weberian model (cf. du Gay 2005). This phenomenon can probably be explained by the complexity of the functions and tasks that the administration discharges, and the resultant expectations concerning its performance. On the one hand, it is expected that the administration will be fully predictable and will make rational decisions (e.g. health care), but on the other it should also be able to innovate and operate flexibly (R&D policy). Worse still, sometimes such expectations are harboured all at the same time (national defence). Some even tend to forget that the administration, due to its goals and position within the institutional structure, is divided into a whole gamut of functionally dissimilar types, and therefore aiming for “one model for all” would be an unrealistic approach. One thing is certain, though: professionalism, regulations based on reason, hierarchy, existence of the appeal procedures are also elements of the desirable core of every administrative organisation. Although the classical model still determines the operation of the administration, it is no longer perceived as an ideal or the only possible one. Some of its characteristics co-exist with “newer” features and elements of administration, intended to improve its performance in achieving its goals, adapt it to a complex environment and the multitude of stakeholders.

The evolution of the model of the administration is generally referred to as the transition from the mechanistic model (Weberian type) through stochastic to the network model (contemporary).



**Table 1.** Meaning of selected elements of large organisations at individual levels of organisational development

Stage/elements	Mechanistic	Stochastic	Network
Actors	Organisation as a coherent unit with clearly defined objectives	Organisation operating in open systems, made up of interconnected subsystems	Organisation as a component of an organisational network
Processes	Rational, with top-bottom structure	Strategic expectations of changes in the environment	Regulation of subsystems and their mutual linkages. Cooperation within organisation, whereby resources are exchanged
Decisions	Result of strategic decisions by central administration, focused on achieving the set goals	Result of interactions between subsystems, aimed to improve organisational structure and environment	Result of negotiations between organisations, focused on stabilising the flows of resources. Clearly directed linkages between organisations
Power/delegated authority	Clear, centralised power structures	Changeable power structure, dependent on specific subsystem architecture	Lack of central ruling structure. How strong the authorities are depends on the availability of resource
Information/values	Science as positivist key to collecting information. Clear objectives and values	Central task – collecting strategic information about environmental features of organisation. Values are ambiguous	Information – key resources are made available by various entities. Positive aspects of conflict

**Source:** Kickaert W. M., (1997), *Managing complex networks*, SAGE, p. 18, quoted after: Kojło S., Leszczyńska K., Lipski S., Wiszczun E., (2009), *Nowe koncepcje koordynacji w systemie Multilevel Governance polityki spójności*, p. 5

The characteristics shown in Table 1 exaggerates certain features (e.g. lack of a central power structure in the network model), but still outlines the general direction of organisational change (including administration), as organisations are operating in an increasingly complex environment. In the case of administration, a reservation should be made that also the central authorities function in an increasingly networked system, which however does not preclude a situation in which their actual role and influence are smaller than could be surmised from their competences alone. Sometimes the government can be weak.

Recent years have seen a rising popularity of public intervention via tapping new development concepts, introduction of new rules such as e.g. sustainable development, evidence-based policy (that is, pursuing policies informed by research) or smart development. Such changes, occurring at the level reaching beyond the state's system of organisation (administration), are undoubtedly associated with the transition from the phase commonly known as the era of industrial economy and modern society to the post-industrial economy (knowledge-based)

and post-modern society or, more and more frequently, information society. These changes were accompanied by a shift in the drivers of development. Whilst it was industry which determined growth in the time of the rapid industrial development, and the availability of raw materials and energy, together with the technical infrastructure, determined the development opportunities, today we are more and more aware that, in the contemporary era, the bulk of income is generated in the service sector, and therefore the ability to manage information frequently decides about success or failure. Having strategic infrastructure is important, but the infrastructure alone will not suffice to initiate development processes. It is good to bear in mind that a mere hundred years ago access to a railway line was a matter of life and death for many towns and regions<sup>4</sup>. We should therefore look at the new factors defining the post-industrial era, hailed by Toffler (1980) as the “third wave” in the history of humanity.

## Contemporary development drivers

In the recent decades, one of the crucial development factors has been the development of information and communication technologies (ICT), which have dramatically accelerated the process of accumulating and utilising knowledge to enhance competitiveness. The so-called soft development factors have considerably gained in importance. These include: the theory of the significance of culture<sup>5</sup> (Harrison, Huntington 2003); human capital and various forms of social capital (e.g. Coleman 1988; Putnam 1995); the role of innovation and an innovation-friendly environment (Camagni 1991; Cooke 2002); networks of cooperation and spaces of flows (Porter 2004; Castells 2008); creative class; co-existence of talent, tolerance and technology (Florida 2002); the role of the institutional system (Keating et al. 2003), or, in the Polish context, the triad of innovation, globalisation and competition (Gorzelak 2007). What these theories and approaches popular in the recent years have in common is the belief that the principal development factors include the capacity to accumulate, process and utilise information in order to maximise the use of the available resources. Other forms of capital (financial, material, technological) are not so prominently in the fore because their efficient use is increasingly dependent on people, their ability to cooperate, level of innovativeness, and on the effectiveness of communication systems. The most modern

<sup>4</sup> To give an example: the railway line bypassed Drohiczyn, the historic capital of the Podlasie region, and ran through Białystok, elevating this then minor city to the status of the regional capital, which it contemporarily enjoys. On the other hand, over two billion euros pumped mainly into the technical infrastructure of the former GDR did not prevent millions of Germans, most of them young, from migrating to Western Germany or from the depopulation of large parts of East Germany. In the past, a similar scheme aimed to halt the demise of the Appalachian region (USA) did not produce the expected results despite spending billions of dollars.

<sup>5</sup> Understood far more broadly than just culture institutions and activities.

economies of the recent years are those which were the first to make the transition towards a knowledge-based economy and information society and were the most consistent in their endeavours. Some attempts to stimulate development have also been made, though with meagre results, by the European Union (*The Lisbon Strategy*, Europe 2020)<sup>6</sup>, while in Poland more and more analyses point to the danger of a stagnating development if new development drivers are not tapped very soon (Boni 2010; Boni 2012; Geodecki et al. 2012; Kozak 2012). The implementation of the Cohesion policy has for many years provided a powerful stimulus to seek new, more efficient administrative arrangements in order to make better decisions in the field of development programmes. Very quickly, it became clear that the implementation system built mostly on the administrative structures is characterised by the same weaknesses as are generally known to beset the Polish administration: red tape, inconsistent arrangements, avoiding personal responsibility, formalism, more pressure put on the regulations than achieving the goals set. However, the administration should not be blamed for all these faults since, generally speaking, the Polish institutional system is inefficient and over-regulated, whilst the Polish society is distinguished by a low level of social capital (i.e. propensity to cooperation and trust). There can be little wonder, therefore, that officials operating in such an environment tend to manifest distrust (protecting themselves against the real or imagined being 'led astray' by the client) and centralisation. It is also more and more frequently emphasised that quality leadership, that is the ability to mobilise the elites and the society at large around the set goals, is crucial for development.

Speaking about contemporary development factors, we cannot ignore territorialisation, a factor increasingly gaining in importance (Barca 2009) and understood as a *sui generis* defence against the consequences of the progressing globalisation. One result of globalisation is that a lasting competitive advantage can only be achieved through innovation. Comparative advantage, gained owing to low production costs, is short-lived because globalisation, through deconcentration and offshoring, expands the group of those who compete with prices by new, underdeveloped countries (areas). Similarly, no significant long-term advantages can be obtained if the economy is based on the export of raw materials. Moreover, technological progress, abundance of capital and the increasing globalisation considerably facilitate freedom of location, and this means being unconstrained by the so-called hard factors (costs, availability of raw materials, etc.) (Gorzelać, Kozak 2012). Not as much specialisation as economic diversity

<sup>6</sup> The debate on the scientific underpinnings of the EU Cohesion policy is based on many studies written at the request of the European Commission, particularly the report by F. Barca, *An Agenda for a Reformed Cohesion Policy. A place based approach to meeting European Union challenges and expectations*, [http://www.europarl.europa.eu/meetdocs/2009\\_2014/documents/regi/dv/barca\\_report/\\_barca\\_report\\_en.pdf](http://www.europarl.europa.eu/meetdocs/2009_2014/documents/regi/dv/barca_report/_barca_report_en.pdf), [accessed: 20.11.2011].

promotes growth thanks to reducing transaction costs as a result of concentration (which, in its extreme manifestation, assumes the form of the metropolisation of development) (World Bank 2008; Smętkowski 2012). On the other hand, global corporations play quite a considerable part in the processes of development translocation, as they are highly mobile and actively seek out new markets and, depending on the sector, try to secure either comparative or competitive advantages. Managing development with such complex, intangible factors, places bigger and bigger burdens on the administration (authorities) or rather, more broadly, on the societies themselves.

## New Public Management

Essentially, the concept of New Public Management (NPM) has been, and still is, a conglomerate of various attempts to adjust the administration to changes taking place in its environment. This term was coined to integrate different approaches, such as post-bureaucratic government; market-based public administration; post-bureaucratic paradigm; entrepreneurial government; post-modernism; post-modern government; post-industrial government; managerialism, etc. (Hood 1994, quoted after Supernat 2004). What they all had in common was the intention to involve other entities (rules, criteria) from outside of the government sector into the policy formulation and decision-making processes. OECD studies (2000) emphasised that the reform came as a consequence of the simple need on the part of the authorities (administration) to keep up with the changes taking place in the society. It could be said that, in the wake of the reforms, there was a constant shifting of the boundaries of the administration, which until then was thought to be alienated from its surroundings, and now was making a determined attempt at a positive integration with its environment, or at least cooperation in various areas where external opinions are appreciated. On the one hand, in the mid-20th century the state remarkably expanded the scope of its activity and, in line with its new, wider competencies, assumed control over approximately a half of the generated income. On the other hand, however, as a result of the continuing processes of democratisation, globalisation, internationalisation, emergence of supra-national organisations and forms of cooperation, it gradually lost its earlier freedom of decision-making and had to agree more and more of its plans and decisions with other entities, including private and non-governmental ones.

The concept of NPM was first put to life in the 1980s in the United Kingdom and New Zealand, and in the 1990s in the USA, in response to the challenges facing public administration in the era of reforms accompanying the transition to the post-industrial era (OECD 2000; OECD 2005; Supernat 2004; Krynicka 2006). NPM borrows, and adapts to its needs, various arrangements typical of the market economy and the private sector, notably the managerialist approach; being

oriented to results; decentralisation; privatisation and outsourcing, as well as improving prudent financial management, efficiency and effectiveness (cf. Zalewski 2005; Blakely & Bradshaw 2002; Supernat 2004; Osborne & Gaebler 1994). The experiences gained so far from the operation of NPM are neither unequivocal nor conclusive. In addition to improving the administration's performance, as promised (although it is not quite clear whether and, if so, to what extent, this depends on NPM, and not on technological progress, e.g. use of ICT), some weaknesses were also observed. One such weakness was the strength of NPM, which essentially strived to subordinate the operations of the administration to the needs of the consumers of its services. Such an approach weakens its accountability before the citizens and, in view of the limited funding, poses a threat that its functions will be limited only to those which are most frequently discharged. What is more, the idea of maximised utilisation of market mechanisms may lead to a clash with other social values that do not succumb so easily to valuation by the market (Supernat 2003). Therefore, if we look at the actual NPM models, we have to conclude that these represent a number of slightly dissimilar attempts at improving the public sector, which frequently take place in a different institutional environment and mechanisms of the society's operation. This may be the reason underpinning attempts at changes, known by the term of good governance.

## Good Governance

The distinguishing mark of good governance is that it does not aim to create new structures but seeks to optimise the performance of existing organisations in specific economic, social and institutional conditions. The focus therefore falls on the functions and capacity to provide public service in the best possible way rather than on building ideal structures; more on physiology than on morphology. In a sense, this approach is based on the assumption that the quality of how the administration operates does not necessarily depend on any specific type of structure. In other words, organisational forms can vary from country to country, but this does not define their (in)capacity for good governance.

What does good governance mean, then? What requirements should it fulfil? What attributes should it have?

Within the meaning proposed by UNESCAP, the administration, in order to qualify under the brand of *good governance*, should demonstrate the following characteristics:

- Participation
- Rule of law
- Transparency
- Responsiveness
- Consensus-oriented

- Equity and inclusiveness
- Effectiveness and efficiency
- Accountability

Each of these attributes requires radical, functional rather than structural, adjustments: ensuring effective channels of communication with the environment, giving more attention to equality, gender or social inclusion issues, or being more responsive to needs (Czaputowicz 2005). Will that be sufficient to respond to the challenges associated with development? Can GG offer an alternative to the managerialised NPM, focusing on results rather than processes?

## Multi-Level Governance

The fundamental practical testing ground for the MLG approach is the European Union and its willingness to construct a system of government (and management) reflecting the entire complexity, the multi-level nature of its organisation, where the typology of administrative territorial units alone (NUTS) comprises five levels, ranging from municipality to Member State (which, with the Union, makes up six levels altogether). The process of the European Union's creation increased the interest in the relationships between individual Member States and community institutions (Bevir 2007), whilst the launch of mass-scale intervention in form of Cohesion policy, with its numerous objectives and a complex set of attendant instruments (mostly connected with the preparations to the introduction of the Economic and Monetary Union of the EU), led to the testing not only of decentralisation or partner arrangements but also those which would create a mechanism for promoting the participation of many territorial levels (Kozak 2009). Also some US research showed that there was an on-going process of "networking", and expanding the cooperation of administrative units also vertically (Rhodes 1997).

In the EU approach, however, there is a visible pressure on developing the relationships between the EU and other institutions, which renders this approach somewhat instrumental. For instance, the Committee of the Regions (2009) defined MLG as follows:

- coordinated action by the European Union, Member States, regional and local authorities, based on partnership and oriented towards the formulation and implementation of European policies;
- a dynamic process, having a horizontal and a vertical dimension, which however does not compromise political accountability;
- a process which is subordinated to five principles underpinning all good management: openness, participation, accountability, effectiveness and consistency. MLG guarantees that these principles are implemented, upheld and reinforced;

- a phenomenon which depends on whether the principle of subsidiarity is observed;
- the key principles which inspire and guide Community actions include: subsidiarity, proportionality, proximity, partnership, participation, solidarity and mutual loyalty;
- must be understood not only as the question of transposing European or national goals into regional and local activities, but also as a process of integrating the goals adopted by local and regional activities with EU strategies;
- the conditions for a good implementation of MLG in fact rest with the Member States themselves (EU 2009).

**Table 2.** Features of a traditional model of bureaucracy and MLG public governance model – a comparison

Features	Traditional model	MLG model of public governance
Leadership style	Bureaucratic – administering	Managerial – managing
Organisational structures	Hierarchical, rigid	Diversified, flexible, flat
Direction of activities	Inwards, on procedures	Outwards, on needs
Control	Internal	External
Time horizon for activities	Short-term	Long-term
Purpose of activities	Preserving order	Inducing order
Type of rule	Imperative	Interactive
Cooperation with organisations from other sectors, interdependence	Separation	Partnership
State organisation	Dominance of monocentric systems	Domination of self-governing and autonomous systems
Interactions between partners	Regulated by rules	Based on trust
Level of independence from the state	Low	Moderate
Relationships between administration levels	Based on strengthening independence	Based on shared interests and tasks
Attitude of administration to citizens	Lack of trust	Based on trust
Development paradigm	Traditional	Modern

**Source:** Kozak 2009, p. 91

It should be underlined that MLG is not a uniform concept. The relevant literature suggests some variations of this term, such as for example: multi-tiered governance; polycentric governance; multi-perspectival governance and some other (Hooghe, Marks 2001). The approach known as MLG turned out to be the most



popular. According to some researchers, we can speak of two forms of MLG. The first covers the decentralisation of power to many independent territories, which – as a matter of course – care above all for their own interests and needs. Such a form would be permanent in character, whereas the distinctly separate territories subject to their own jurisdiction would be MLG actors. The other formula involves the overlapping of jurisdictions, multiplicity and variability of jurisdictions and their flexibility (Hooghe, Marks 2001). It is not clear, though, to what extent these models, based on dissimilar logic, occur in reality and to what extent they are merely ideal models, whose individual elements may indeed be identified in reality, but this alone does not make a model.

It is usually acknowledged that MLG has a considerable impact on the democratisation of the European Union. This is confirmed among other things by such issues as e.g. granting peripheral areas the right to take part in decisions relating to their future; exercising this right in a way which prevents obstruction in the form of the right of veto, and last but not least, promoting the establishment of “organic” linkages between communities and the regional and local authorities, as a result of which their actions are more responsive locally and at the same time help create broad coalitions, which also leads to increased responsiveness (Piattoni 2009: 33). While the overall tenor of this approach is acceptable, it is difficult to overlook the fact that the EU is still suffering from significant deficiencies of democracy<sup>7</sup>, a phenomenon that MLG can hardly compensate for in full. It is also occasionally pointed out that MLG in the EU practice restricts its activities to the relatively simplest areas of operation (Jordan 2001).

## Factors facilitating and hindering the implementation of MLG in Poland

The main factors which facilitate the introduction of MLG include those which are associated with development and the growing requirements concerning the pursuit of public policies in the conditions of internationalisation and globalisation. On the other hand, the requirements vis-à-vis the administration are increasingly stricter, and on the other there is an observable diffusion of patterns adopted from other countries and the development of both public functions and societal expectations, expressed by more and more diverse communities. This leads to an increasing pressure on the public administration despite the fact that both its substance and reception can be quite varied. Depending on their competences and affluence of the local, regional and national areas, their specific character can differ.

European integration and the need to adapt at least some of the administrative structures to the requirements of the European MLG in the sphere of Commu-

<sup>7</sup> Starting from the still very limited role of the European Parliament.

nity policies are significant factors which play an important inspirational role. The expectations increase as the time passes, and this is best proved by draft EU regulations for the new programming period 2014-2020, which place great emphasis on participatory planning (also vertically), coordination of actions and other elements which are typical, to varying degrees, of NPM or MLG. One observable weakness is that this impact of the changes in the Community system does not affect the whole of the public sector in Poland but, so far at least, is limited to those of its parts which are directly involved in the planning, managing and implementing of EU policies (MUS 2012).

The conditions which facilitate, or even encourage the implementation of MLG also include the new territorial organisation of Poland introduced in 1999, which established local government units at the regional level (including the districts [*powiaty*] and traditional municipalities [*gminy*]). Discharging more and more numerous and complex functions helps improve communication with as complex environment, both vertically and horizontally. It is pointed out, however, that the strengthening regions are raising some concerns about the dominance of the strongest of them (Kojło et al. 2009).

There are also weaknesses, that is factors which slow down the implementation of MLG. Above all, they include the low quality of the institutional system, which is irrational and rife with arrangements which are commonly regarded as requiring change. For example, widely criticised issues include the functioning of the health service, regulations governing business activity and the operation of many institutions which are important for the state and the life of the society (cf. Jarosz 2012). Despite some genuine attempts at creating a uniform and rational system of development planning, work is far from over. Over-regulation is regarded as one of the most serious institutional problems.

The original sin of the present system of local government units, which makes them completely autonomous and independent of one another, can be considered as one of the most serious obstacles to this process.<sup>8</sup> The decisions which are made at the higher level are not binding for the lower level, which makes the entire planning process (e.g. territorial planning) dependent on effective negotiations. This is one of the reasons why no decision has not been taken as yet on the location of the nuclear power plant, although the need for its construction seems to be a priority for the government in power. Even though the lack of the planning hierarchy is a genuine global-scale oddity, any attempt at restraining this autonomy is treated as an attack on democracy and the Constitution. The arrangements

<sup>8</sup> While building the foundations of the new system in (an effort which was completed in 1999), it seemed absolutely rational to furnish municipalities (and later the remaining levels of territorial self-government) with far-reaching autonomy as a safeguard against the return of the non-democratic system of power which was in force before 1990. Nevertheless, the decisions that were (in my opinion) rational at the time, today produce effects as unpredictable as they are undesired.

currently in force cripple the effectiveness of the state as such and greatly complicate the process of agreeing and coordinating actions. This, however, does not alter the fact that, according to some experts, the absence of sufficiently strong regions poses a barrier to a real partnership in the European Union (Wojtaszczyk et al. 2009: 11).

Finally, among the factors which considerably hinder the development of the MLG system is the dramatically low level of social capital (*Diagnoza Społeczna* 2011). The Polish society is characterised by distrust towards others, the institutions of the state in particular. But it is a minimum level of trust that is the essential prerequisite of MLG. Given such a situation, can the condition for the introduction of MLG, as identified in one study (prematurely perhaps), be the "(...) constant and significant increase of societal activity, but on a really large scale"? (Kojło et al. 2009: 66).

## Future outlook

MLG is one stage in the evolution of the public administration system. For this reason, it seems justified to ask the question on how and where this system will go, and what factors will define the direction of these changes. Let us start with its weaknesses. Neither NPM nor MLG have any strong democratic underpinnings; in their wish to introduce managerialist principles, accountability for expenses, outsourcing and privatisation of some of their functions (and in effect transferring some of their assets to foreign and international corporations), they tend to reduce their accountability for discharging some fundamental tasks to their own societies. This also gives rise to the political issue of salaries: Should specialists employed in the public sector receive as generous pay packages as employees of huge private companies? The recent attempts at introducing changes into the Polish health care system, made in order to enhance the rational use of the available financial resources, demonstrated the strength with which the individual stakeholders can manifest their interests and views<sup>9</sup>. The movement of the Outraged, commenced in 2011, and other developments (ACTA) show, on the one hand, problems associated with working out adequate tools for the communication between the authorities and the society at large in democratic countries, and, on the other hand, the huge power of ICT, which make it possible to mobilise large portions of the civil society around matters widely considered as significant. This new vehicle of communication, as vehement as it is effective, seems to corroborate the thesis that political and electoral systems no longer can guarantee the elec-

<sup>9</sup> It should also be borne in mind that this rationalisation of the system (mostly cost of medicines and medical treatment) was made in an utterly hybrid organisational system where, in addition to state and quasi-private hospitals (state ones, those owned by local governments and those which have been commercialised) there operate private health establishments.

tion of the ruling elites that would be adequate to the needs and commensurate with the expectations (for the Polish context, see: Kęska, Kinowska 2012). What can be expected in response?

Definitely, attempts at deregulation (a phenomenon now visible in Poland) to tap the reserves hidden in the society and in the economy, and, wherever possible, introduction of the rules of managerialism. Also, implementation of legal and financial instruments supporting the process of cooperation and partnership in the discharge of public functions locally, regionally, nationally and supra-nationally (which directly means creating the conditions for, and improving the quality of MLG).

Changes in the structure of the redistributive function, which will mostly likely come as a consequence of two phenomena. Firstly, reducing the area for which the state bears responsibility, and delegating this responsibility, in part or in full, to the citizens. Secondly, increasing the role of intervention in areas associated with improving competitiveness, particularly R&D, innovation, education and training, health. Thirdly, adding flexibility to the budget, currently heavily dominated by “fixed” spending.

Digitisation of the administration, facilitating contacts between citizens and businesses and the administration, and a more active role played by officials in their relationships with their environment. It should be hoped that the information gathered in databases via ICT will not be collected “just in case”, but will be used in making decisions, whether strategic or operational. One example which shows how real the danger of waste can be are the evaluation studies of European programmes: commissioned, financed and accepted by the programme managers, such assessments rarely offer any criticism, and in effect their usefulness in decision-making is rather questionable, an opinion which is also admitted by experts responsible for them (Bienias et al. 2009).

All these changes will be heavily influenced by globalisation and increasing competition, but will be made in a specific society with a unique culture, which will ultimately determine the goals, forms and functions of the public sector. That is why one thing seems to be crystal clear: dissimilarities in the adopted models of administration between nations will not disappear.

## Lessons for Poland

<sup>1</sup>It seems that the independence of local and regional governments and the scale of Cohesion policy interventions provide conducive conditions for MLG. Indeed, some manifestations of this can be found in the field of Cohesion policy. Other than those, there are few proofs of MLG to be found in Poland. Truth be told, joint projects are few and far between even in the field of Cohesion policy itself. Metropolitan areas, where MLG is widely regarded a necessity, still wait to be regulated

by the legislation. Public-private partnership is more dead than alive, whilst business clusters as a rule exist as long as they receive funding.

The first and foremost reason for this is the weak institutional system (Boni 2009 and 2011; Jarosz 2012; Geodecki 2012). There is no doubt that this is a hybrid system which contains structures, rules and policies of varied provenance. Let us recall here that the central level of the administration has not undergone any coherent and consistent reform: post 1989, it was believed that it would suffice to impose democratic political control over the administration to adapt it to the new requirements. Nothing could be more wrong. The institutional system has so frequently been subject to subsequent partial quasi-reforms that it is now utterly incoherent and can neither serve development objectives nor satisfy citizens' needs. As a result of the 1990 administrative reform, municipalities were re-established and furnished with considerable competencies and given substantial funding, in the unjustified belief that local government is by definition a creation with ideal features. The 1998 reform (establishment of counties [*powiaty*] and regions [*województwa*], the latter having their boundaries re-defined) imposed considerable duties on these two levels of self-government, but provided them with insufficient funds, as these were not easy to obtain from the state budget coffers, and quite impossible to raise locally, at the municipal level. This is how local and regional government organisations, poor in comparison to their tasks, came into being. What was even more peculiar (in Europe if not globally) was granting full autonomy to the individual levels of the territorial organisation and liquidation of all hierarchy. This still produces disastrous results, e.g. in the form of local, regional or national plans not being regulated by any hierarchy. Any attempt at imposing a decision, let alone subordinating local interests to national ones, will instantly be questioned as breaching the constitutional rights of the municipalities. As a result, the whole country can be held hostage by municipalities, and the competent authorities are not able to make final and binding location decisions.

We can speak of internal hybridity also in the case of the administration, since two completely different structures can be found within it: those departments or agencies which are involved in the implementation of European policies<sup>10</sup> (where new knowledge and operating policies are being absorbed) and those which do not have any significant tasks to fulfil in the European system and live by the old rules. Quite interestingly, even organisational units in individual offices are divided into those discharging tasks associated with European policies and all others. Since there is no transfer of knowledge from the "European" units to the remaining ones, contrary to expectations there is little or no modernisation of the administration in practice (MUS 2012).

The Polish institutional system, which is very poorly rated in international rankings (Kozak 2012: 179), has clearly reached the limit of adaptability. The pre-

<sup>10</sup> With some limitations, as far as agricultural policy is concerned.

sent condition of Polish institutions is probably best portrayed in the recent publication by Maria Jarosz (2012), who strives to identify and explain the institutional dysfunctions. Quite interestingly, not only independent experts have reached similar conclusions (see also Geodecki 2012), but also panels of experts working within the government structures (Boni 2010, 2012). Nevertheless, all these efforts are not transposed into all-encompassing reforms. And we are all well aware of the consequences half-baked reforms can have for various spheres of life.

One important feature which undoubtedly affects the operation of administrative institutions is the scant social capital, mentioned above and manifested in limited confidence in others, and in consequence – in low propensity for co-operation (*Diagnoza społeczna* 2011). The reasons for this situation should probably be sought in the features of the Polish national culture, which for centuries developed in the conditions of weak statehood and growing anarchy, a political and social system that for all intents and purposes treated peasants as serfs, and finally in the Partitions, which, despite the modernisation of the Polish regions ordained by the invaders, also brought a great deal of injustice and strengthened the deformed approach to the state structures (on account of their being oppressive and foreign), particularly in the Russian Partition. The two World Wars and the period of the People's Republic of Poland (or PRL) increased the gap between Poland and other European countries and preserved the state of a prevalent lack of trust in the society and the ever-recurring division into “us” and “them”.<sup>11</sup> Thus, we became a society with strong national bonds but weak social ties. One can hardly imagine more difficult conditions for modernisation efforts and implementing a more flexible and efficient system of governance and management. Therefore we should accept the idea that MLG cannot be implemented or popularised without a root-and-branch institutional and cultural change. Institutions will always imitate the prevalent culture. Unfortunately, the opposite situation can be as true.

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<sup>11</sup> Admittedly, this is not only a Polish problem (cf. Bingen et al. 2012).



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## **European dimension of Eastern Poland's Development in 2014-2020**

### **Europejski wymiar rozwoju Polski Wschodniej w latach 2014-2020**

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#### **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 interwencji 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.

#### **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 theoretic and empirical inspirations of new economic geography. In light of the above, it attempts to explain the main regularities of socio-economic development of voivodships 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.

**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 five-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)<sup>1</sup> 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. Community

<sup>1</sup> 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 areas<sup>2</sup>.

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.  $\frac{3}{4}$  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

<sup>2</sup> 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 GDP<sup>3</sup>.

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

<sup>3</sup> *Cohesion Policy 2007-2013. Commentaries and Official Texts*, The European Union, Brussels, January 2007.

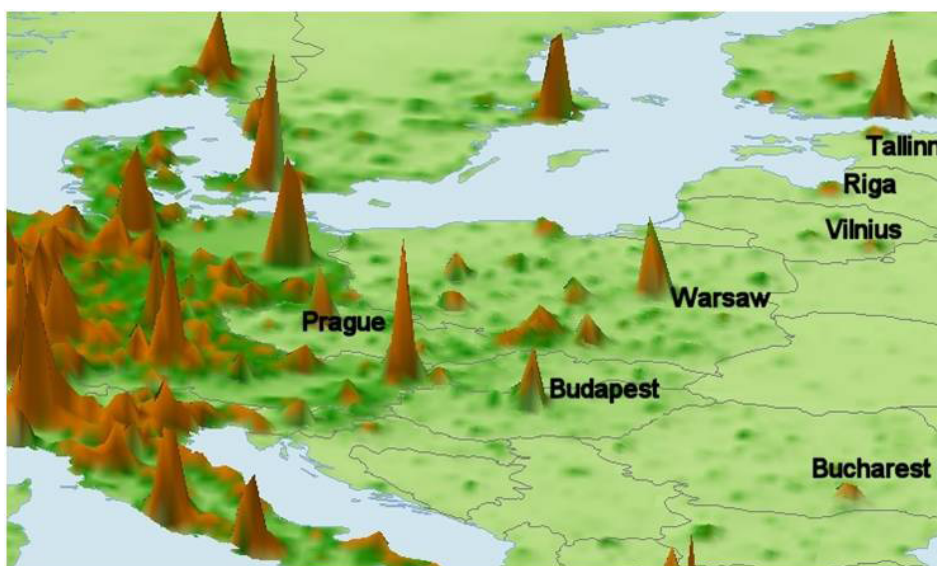


time since 2009 due to the global economic crisis in order to target the ECP more effectively towards crisis interventions.

## 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<sup>4</sup>, M. Fujita, A. Venables<sup>5</sup> 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



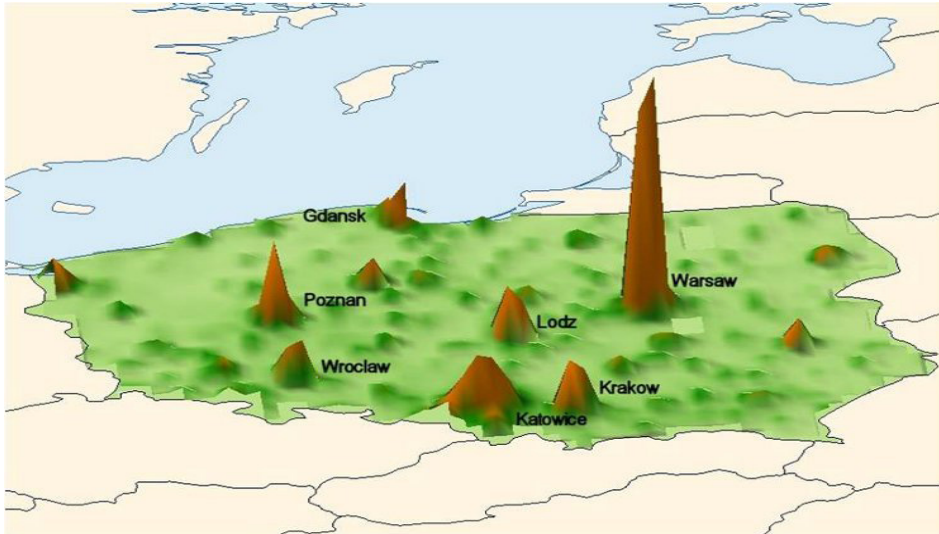
**Source:** Gill J., *Regional development Policies: place-based or people-centred*, The World Bank, Washington D. C., October 2010

<sup>4</sup> Krugman P., *Development, Geography, and Economic Theory*. Massachusetts Institute of Technology, Cambridge 1995.

<sup>5</sup> Fujita M., Krugman P., Venables A. J., *The Spatial Economy. Cities, Regions, and International Trade*. The MIT Press, Cambridge-London, 2001.

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<sup>6</sup>. 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



**Source:** Gill J., *Regional development Policies: place-based or people-centred*, The World Bank, Washington D. C., October 2010

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-

<sup>6</sup> *Reshaping Economic Geography. World development report*, World Bank, Washington D. C., 2008.

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<sup>7</sup>. 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

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

**Source:** *Regional Policy Challenges. New Issues and Good Practices*, OECD, Paris, 30-31 March 2009.

In recent years the European Cohesion Policy has been widely criticised in scientific and journalistic sources<sup>8</sup>. 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-

<sup>7</sup> *Regional Policy Challenges. New Issues and Good Practices*, OECD, Paris, 30-31 March 2009.

<sup>8</sup> Sapir A., Aghion P., Bertola G., Hellwig M., Pisani-Ferry J., Rosati D., Vinals J., Wallace H., *An Agenda for a Growing Europe: Making the EU Economic System Deliver*, Report of an Independent High-Level Study Group to the President of the European Commission, Brussels, 2003.

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 the 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: Bialski – 35.0%, Chełmsko-Zamojski – 34.7%, Puławski – 34.4%, Krośnieński – 36.6%, Przemyński – 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

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

**Source:** *Own calculations based on Gross Domestic Product. Regional accounts in 2009*, Central Statistical Office and Statistical Office in Katowice, Warsaw-Katowice, 2011 and earlier issues

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<sup>9</sup>. 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).

<sup>9</sup> *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.



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

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

**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.



L – Lubelskie, Pd – Podlaskie, Pk – Podkarpackie, Ś – Świętokrzyskie, WM – Warmińsko-Mazurskie.

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'<sup>10</sup>. 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<sup>11</sup>:

- 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 under-developed regions, this author suggests some important solutions to be considered when revising the 2014-2020 regional policy. They are as follows:

<sup>10</sup> Poland. *National Strategic Reference Framework 2007-2013 in support of growth and jobs, adopted by European Commission on 7-th May 2007*, Ministry of Regional Development, Warsaw, 2007.

<sup>11</sup> Petrakos G., *Integration, spatial dynamics and regional policy dilemmas In the European Union*, [in] *Territorial Dimension of Development Policies*, Ministry of Regional Development, Ostroda, 18-19 July 2011.

- 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 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<sup>12</sup>. 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-

<sup>12</sup> *Europe 2000. A Strategy for Smart, Sustainable and Inclusive Growth*, European Commission, Communication from the Commission to the European Council, Brussels, 3.3.2010 COM(2010)2020 final.

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<sup>13</sup>. 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

<sup>13</sup> *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. A budget for Europe 2020 Part I and II, SEC (2011)867-868 final, Brussels 29.6.2011 COM (2011)500 final.*

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, regrettably, 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 macroregional 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 macroregional 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<sup>14</sup>. 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 poviats where the rate exceeds

<sup>14</sup> *National Strategy of Regional Development 2010-2020. Regions, cities, rural areas*, Ministry of Regional Development, Warsaw, 13 July 2010.

the country's average by at least 50%). It is important to return to the model of multifund 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. Regretfully, 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<sup>15</sup>: '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

<sup>15</sup> Regulation of the European Parliament and of the Council on laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1083/2006, SEC(2011)1141, SEC(2011)1142, European Commission, Brussels, 6.10.2011 COM(2011)615 final.



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-



strument 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.

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## Channels to innovation in regions – can equality policy help?

### Kanały służące do dyfuzji innowacji w regionach – czy polityka równości może pomóc?

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#### Streszczenie

W artykule przedstawione są regionalne aspekty rozwoju społeczno-gospodarczego, gdzie koncepcja regionów globalnych, wykazujących wysoką dynamikę wzrostu, jest nowym podejściem do zagadnienia rozwoju w warunkach globalizacji. Wyzwania gospodarcze w nadchodzących latach wymagają uruchomienia nowych źródeł postępu, stąd też polityka Norwegii w kwestii równego traktowania uczestników rynku pracy może być tu interesującym przykładem do naśladowania. Doświadczenia norweskie przedstawione są w pierwszej części artykułu, dalej dyskutowane są instytucjonalne uwarunkowania niezbędne dla funkcjonowania aktywnego rynku pracy o wysokiej stopie zatrudnienia mężczyzn i kobiet. W części drugiej pokazana jest pozycja regionów Polski w Europie oraz aspekty polityki regionalnej Unii Europejskiej w ostatnich latach. Regiony Polski wypadają słabo w unijnych porównaniach, dlatego też poszukiwanie nowych czynników rozwoju społecznego, wraz ze wskazaniem ich potencjalnych źródeł, m.in. polityki równego traktowania na rynku pracy, to ważny krok do postępu.

#### Summary

The paper reflects on questions of socio-economic development, challenged by globalization and change of society, where a regional perspective is of main concern. The idea of 'glocality' is put forward as a new approach to dynamic growth of regions. First, the Norwegian policy of gender equality is presented to illustrate the connection between government's policy and its results – effective labor marked with high employment rates. A friendly social environment and efficiently working institutions are important factors contributing to the high level of economic development and social and political stability in the Nordic countries. Our neighbors from the North achieve such positive results through a long-term policy of creating equal opportunities for potential participants on the job market. Two indicators are worth mentioning: 80% employment rate for women and 2,5% unemployment rate in Norway. Taking the above observations as a point of reference, the paper discusses questions regarding regional development – the status quo of Polish regions based on the EU reports, followed by challenges and opportunities, especially for the less advantaged regions. The substantial differences between regions, shown by development indicators, are often bigger within a country than between countries. Why so and what might be done to improve the situation? Here two concepts of capability are discussed – a workable step forward in finding the proper 'push' for the emerging regions. Eastern regions of Poland do have the potential to take up the challenge and build a better future if they 'utilize' glocality and capability.

**Słowa kluczowe:** rozwój społeczny, globalizacja, równe traktowanie na rynku pracy, rozwój regionalny

**Keywords:** social development, globalization, gender equality, regional development

## 1. Prerequisites for economic development

### 1.1. Economic development

Times of turbulence and crises bring up opinions on “rights” and “wrongs” in economic theories and policies, in search for better solutions to avoid a new fall. Debates about politicians’ short-sightedness, the role of the state and the market in economy, the division of burdens and benefits, sources of innovation and social progress, and many other subjects, burst up. In Poland, such debates are not especially constructive because a lack of political and social consensus make them rather hostile than beneficial.

The idea of „class struggle” discredited in the socialist system has been replaced today by an equally aggressive and polarizing power games between parties and political fractions, which instead of finding compromise to resolve issues important for the whole country, prefer hunting down their political opponents. Recapturing and appropriating, i.e. appointing one’s own people to the most important positions in public institutions – central and local take up so much time and energy that there is little left to conduct the necessary institutional reforms.

The rapid transformation of Polish economy in the 1990s and relatively high GDP growth in the following years, do not match slow development of human and social potential.

In ratings of social development, other countries, including those of a similar socialist past are ahead of Poland, which the HDI (Human Development Index) indicator illustrates in Table 1.

HDI shows different aspects of social development in selected years, as in e.g. „Growth for Human development” in 1996 or „Human rights and human development” in 2000, “The real wealth of nations” in 2010, so one cannot compare directly the change of country’s place in the 15 years period, but of course, a trend indicates a change. But the place in the rating in a given year in comparison to other countries is quite comparable, and here Poland stays behind Czech Republic, Slovakia and Hungary.

**Table 1.** Place of selected countries in social development ranking – HDI in selected years

Country	1996 (N=174)	2000 (N=174)	2005 (N=175)	2010 (N=169)
Norway	5	2	1	1
Sweden	9	6	6	9
Finland	6	11	13	16
Denmark	17	15	14	19
Germany	18	14	20	10
Czech Republic	37	34	31	28
Slovakia	41	40	42	29
Hungary	46	43	35	36
Poland	56	44	36	41

**Source:** Human Development Report 1996, 2000, 2005, 2010; <http://www.undp.org/content/undp/en/home/librarypage/hdr.html>

We can conclude that Poland has some work to do to attain the average European level in the development of civil society and social institutions

## 1.2 Socio-economic challenges in the next decade

The prognosis for the next 10-20 years indicates the following problems that many countries and societies will have to cope with:

- a) An aging society,
- b) High financial liability of the state (foreign debt, retirement payments, health-care costs),
- c) Rapid changes in demanded labor skills,
- d) Migration (immigration and emigration), refugees and social inclusion in multi-cultural societies.

Without going into detailed data for different countries, one can say that in the coming 10-15 years in Europe, for one retired person there will be not four, just like it is today, but only two or less work-active persons. We need to act now in order to mitigate the changes of today's ratio of the professionally active – professionally passive to a more favorable one, e.g. by opening labor market to groups of low employment level today, such as young people, disable, and, especially women.

Women's employment in Poland is low in comparison to other European countries – we are in a group of 5-6 countries where indicators of women's participation in labor market is the lowest. There are several factors at play here – professional qualifications, availability of workplaces, ability to secure daycare for small children, organization of home duties, as well as open or hidden discrimination.

**Table 2.** Employment rate of women (age 20-64) in 2008 and 2011 (percentage of active)

Year	Poland	Czech Rep.	Hungary	Latvia	Germany	Denmark	Norway	Sweden	Iceland	EU 27
2008	65,0	72,4	61,9	75,8	74,6	79,9	81,8	80,4	85,3	70,5
2011	64,8	70,9	60,7	67,2	76,3	75,7	79,6	80,0	80,6	68,6

**Source:** Eurostat [http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plu-gin=1&language=en&pcode=t2020\\_10](http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plu-gin=1&language=en&pcode=t2020_10)

In a period 1998-2008, this indicator was lower for Poland than in 2008 (e.g. 57.1% in 2003). However, it oscillated around 60%. For 2011 there are minor changes for all countries, due to the economic crisis, but the reason for the above results is not primarily business cycle fluctuations, but rather structural factors.

Women's participation on labor market is not only a sign of respecting laws of social equality, which international conventions obligate governments to do, but it is also an important factor of economy's efficiency and dynamism. Because of demographic reasons employment of women will bear an even greater importance in the future. That is why example of Scandinavia, where women's employment rate is the highest, can be valuable for Poland and other countries to get familiar with.

## 2. Women's position in the Norwegian labor market

### 2.1. Education and job position

The type of education women choose is important factor for their future job, professional career and social position. The level of education tells also a lot. Thus it is worth looking at the changes in the recent years.

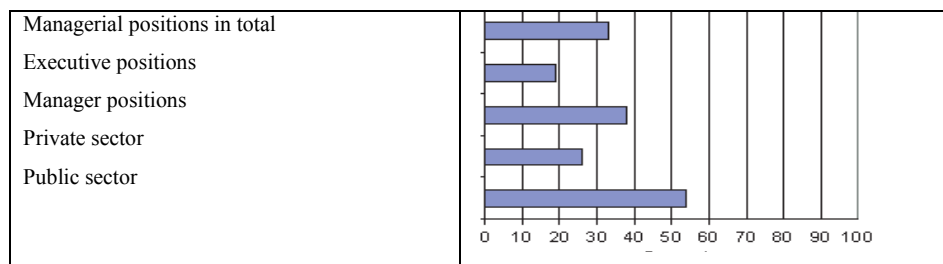
**Table 3.** Women's participation in selected degree studies in higher education in Norway (percentage)

Type of studies	1980	2006
Higher education studies in total	48,1	60,2
Humanities	59,2	63,5
Pedagogy	69,2	74
Law and social sciences	41,9	60,8
Economics and administration	24,9	53,9
Natural science, technical studies	16,8	32,1
Medicine	70,3	77,2
Agriculture, fishery, etc.	22,6	51,2
Transport, security, other services	2,5	27
Other	52,1	62,8

**Source:** NOU 2008:6; 44, Teigen (2006;19), SSB 2007

It is easy to see that in the last quarter of a century, women dominated most of the degree courses in higher education, and they represent, as a group, a higher level of education than men. This tendency can be observed in many countries, which means that women's professional aspirations and their participation on labor market are on the rise.

Is it reflected in their professional careers and positions held?

**Figure 1.** Women in managerial positions in Norway in 2006 (percentage)

**Source:** NOU 2008:6; 45 (AKU SSB)

Despite an increasing level of women's education, gender segregation on the job market still holds. Only in the public sector do women hold 50% of managerial positions. Apart from that the traditional employment structure prevails – men are in executive seats and women hold lower managerial posts or ancillary positions. A similar situation occurs in other Nordic countries, what the data collected for 'The Nordic 500' project – women on manager positions in 500 largest corporations – confirms.



**Table 4.** Women in managerial positions in 500 largest corporations in Nordic countries in 2004 and 2009 (percentage)

Country	2004	2008/2009
Norway	12,4	20,7
Sweden	15,0	17,8
Finland	11,7	17,2
Denmark	5,9	13,9

**Source:** The Nordic 500 Project, Center for Corporate Diversity <http://www.corporate-diversity.no>

Women's low, albeit rising, share of holding managerial positions seems striking, because it concerns countries where emancipation and gender equality have existed for at least 100 years (women's right to vote) and have operated for at least 40 (gender equality law). It is hard to say why the traditional structure of job positions has endured over the decades.

It is traditionally explained by different individual preferences for boys and girls, and as a consequence, unlike choice of education and career path (Schreiner & Sjøberg 2004). Boys choose more technical majors, while girls choose those related to care (nursing, pedagogy, services).

A different explanation emphasizes women's family duties as an obstacle to choosing a demanding professional career, as well as the method of managers' recruitment, quite often among members of the formal and informal professional networks, dominated by men. (Skjeie & Teigen (2003:121).

## 2.2 Gender equality policy on the Norwegian labor market

Norwegian governments have had equality issue as policy agenda over the long time. Inequality, gender inequality included, appears at most as a persistent phenomenon, with multiple grounds, therefore it claims a complex mix of policies to change it.

I will concentrate here on selected issues of the Norwegian government policies in the last ten years, aiming at changing the existing inequality on the job market related to gender.

These three issues are:

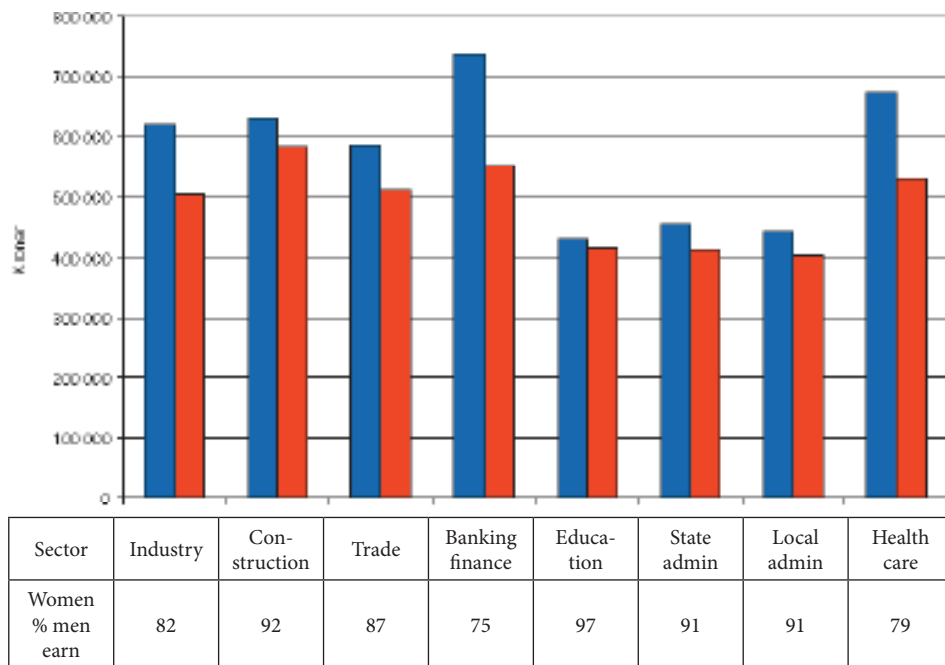
- A) Equalizing salaries and income
- B) Preferences given to a minor gender
- C) Family policies – social packages

Ad A.

The differences in earnings are persistent, despite the law of equal pay for the same kind of work.

They are illustrated in Fig. 2.

**Figure 2.** Earnings of women and men in Norway – employed full-time, with at least four years of higher education, in 2006



**Source:** NoU 2009:6; 59

Women ■ Men ■

Based on the data collected in the Official Norwegian Reports (NOU 2009 nr 6) and presented above, we can see that the differences in earnings between the sexes are lower in the public sector than in the private one, except for public healthcare where they are relatively high, similar to those in financial sector.

In this regard, the government may act presenting principles for central wage negotiations in the given year. The government determines a general framework for yearly wage increase, while trade unions and employers' organizations conduct central negotiations on earnings in respective sectors, professions, job positions. Wage and salary increase, and especially equalization through allowances for less-paid groups, are always the subject of heated debates between parties of contrary interests. The government's priorities for a given year may concern whole professional groups, such as nurses or hotel chambermaids – professions

dominated by women, where government proposes a particular ‘package’ (salary increase, work conditions, leave) for negotiations, in order to compensate the still existing inequality.

There are many studies aimed at establishing the causes of inequality between men and women’s earnings – be it cultural ones, economic, customary or other – in order to eliminate them with time. One of such causes is, for example, part-time work that women often take.. Hence the introduction of guaranteed priority, for those already employed, to help.

Also duties such as taking care of children or of aging parents, as well as less overtime and fewer functional allowances, are additional causes for women’s lower earnings.

Ad B.

Favoring certain social groups, for some reason neglected or discriminated, is always controversial because there is no consensus what „equal status” actually mean. It can relate to equality of opportunity, living conditions, type of work, the amount of allowances received, salaries, i.e. different aspects of functioning social order. The still-lasting traditional forms of distortion in employment and payment forced the government to a radical move – promoting women for managerial positions by introducing gender quotas:

- Minimum 40% representatives of each sex on the boards of stock-listed companies – passed by the parliament (Storting) in 2003, put into effect January 1, 2006.
- Favoring the employment of women in positions with male domination, if the female candidate has the same qualifications as the male one (e.g. professors in universities, directors in large institutions).
- Regarding gender quotas – not introduced up to now – in electoral tickets (right now each political party has its own „equality policy”).

Norway was the first country that introduced gender quotas in all stock listed company boards, which provoked many protests and debates, questioning gender quota legality. Before – as in 2002, women represented only 6% of boards’ members. In 2008, 395 companies reached the required limit of 40%, while 77 of them didn’t. The latter received a warning of closure (NIKK, UiO, 2008).

In Finland in the same year there were 11% of women on the boards of stock-listed companies, and in Sweden 20%. Thus Norway’s 40% should be considered a big achievement.

Heated debates discrediting the institution of gender quotas calmed down as it turned out that women’s active presence in managing the stock-listed companies didn’t affect their results in a negative way. To the contrary, it improved the setting or a better decision-making process.

Training and exams have been organized for female candidates to companies' boards. A database has been also created, where potential female candidates with adequate qualifications can be found.

If there exists a negative side to gender quota policy, it is, in my view, the pressure on already highly exposed female managers. Many of them are members of the boards of several companies, and the resulting time overload can lead to the reproduction of the same experiences („business as usual”), instead of the expected „breath of fresh air” that women's participation was to ensure.

Generally, introducing gender quota policy is met with approval and is not a source of controversy anymore.

Ad C.

As mentioned before, Nordic countries represent high level of women's participation in labor market. However, it is still the mothers who take care of their children at given periods of time and are temporarily professionally inactive. The data of the Norwegian Statistics Bureau (SSB) indicates that parents' work activity coefficient for 1991-2005 was stable, at 91% for fathers, while it went up from 74% to 81% for mothers.

Temporary absence of fathers decreased from 90% to 80%, whereas for mothers from 80% to 60% (NOU 2008:6; 85-86). Thus there is a similar tendency to have shorter periods of absence at work when taking care of children.

The rise in work activity among mothers is undoubtedly related to the active pro-family policies of successive governments, among them:

- Guaranteed kindergarten placement for all applicants and maximum cost (2300 NOK per month per child, 50% for a second child),
- Long paid and shared maternity/paternity leave (10-12 months, father – minimum 6 weeks),
- After class activities for children at school,
- High child benefits (970 NOK per month per child; benefits for a child of 1-2 years raised by the mother 3303 NOK per month),
- Payment for taking care of a disabled child at home.

In all of the Nordic countries long paid maternity leaves (40-68 weeks), which can be shared between the parents, are very popular. Additionally, part of the leave is obligatory for fathers and lasts between 6-13 weeks, which is to change the existing stereotypes on taking care of a baby or small child. The decision on how to share the leave is made by the parents and paternity leaves are not unusual, while the mother goes back to work after 6-12 obligatory weeks of maternity leave after giving birth, (especially if the woman's earnings are higher than that of her spouse).

Such a policy can give women a real opportunity to combine family life with their professional careers.

### 3. Institutional structures for the active labor market

An effective labor market does not operate autonomously but is dependent on stable institutional structures which constitute its framework. The choice of mechanism coordinating the behavior of business entities is not a choice between the state or the market coordination but the right combination of both. Capitalist market economy – as well as other economic systems, has as an aim socio-economic development, generating better and better living standard and living conditions for its citizens. The GDP growth rate is so only an instrument for reaching the target, and not a target itself. Capitalist markets economy operates in distinct settings, so its functioning models differ, both with regard to time/history and territory/region.

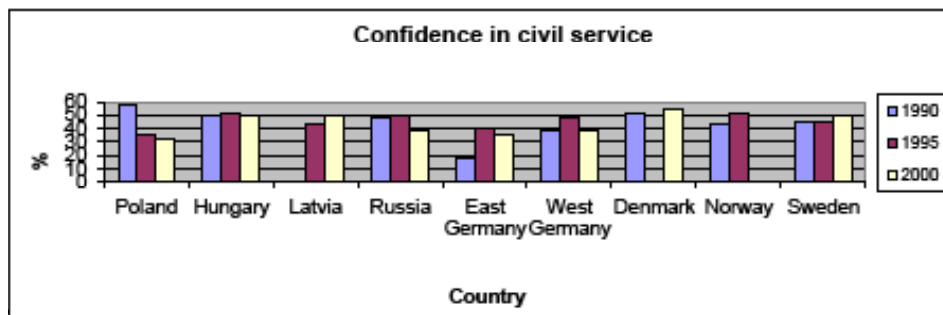
#### 3.1. Scandinavian model of social economy

The so-called Scandinavian model of economy is characterized by a high level of social development and social welfare, low unemployment and stratification, high degree of trust. This is a very general characteristic, since solutions in each country of the North differ considerably. What so they have in common and what is important?

- High level of openness of the economy (all are small economies).
- Strong public institutions – both central and local.
- Large public sector and high taxes.
- High level of social welfare and minimal exclusion rate.
- Mutual trust among citizens and between citizens and institutions.

Such a model proves efficient in practice because transparency and institutional responsibility incline everyone to be active. High employment rate/low unemployment means low exclusion. A friendly state helps one, one doesn't cheat a friendly state – so that builds up civil responsibility, and citizens pay taxes without complaints. It is important that the citizen has confidence in the institutions and trusts that they act in his or her interest.

**Figure 3.** Confidence in civil services in selected European countries in 1990, 1995 and 2000 (percentage)



**Source:** Halman et al. (2008) European values studies

As we can see in the data presented above, Polish people's confidence in public institutions is low – for years 1995 and 2000 it is the lowest for the whole sample, whereas it is the highest in Denmark. These results are true also for other, more recent surveys. Paradoxically, the result for Poland in 1990 is higher than the Scandinavian one, despite the fact that it marked a difficult time of transformation, for both the economy and the people.

### 3.2. Institutional support for labor market participation

Gender inequalities on the Norwegian job market have been focused on over many years.

The Norwegian state supports several institutions to promote high activity on the job market – one example is Innovation Norway (Innovasjon Norge; [www.innovasjon norge.no](http://www.innovasjon norge.no)), an institution that does counseling, helps in improving skills, building networks, finances innovative projects and gives assistance and financial support mainly for small and medium size companies.

It also supports „equality” initiatives, such as:

- Financing projects managed by women (about 30% of the budget).
- Providing training for female company owners „Lighthouse” (since 2000).
- Creating databases of female candidates for the boards (course + exam).
- Offering „Mentor” program for potential female managers.
- Organizing courses on how to start a company.
- Arranging competition with an award of 1 million NOK for the woman „entrepreneur of the year”.
- Supporting Nordic project „Ambassadors of entrepreneurship”.

These and other social packages discussed in section 2, as well as gender quotas and policies of eliminating disparities in salaries and other forms of discrimination, contributed to a high level of women's participation on the job market in Norway.

Activities aimed at eliminating discrimination turned out to be an effective instrument of the government policy in creating an active job market and makes it function effective. This is an important factor of economic welfare and stability.

### 3.3. In place of gender-related conclusion

Instead of conclusions I wish to present few examples to show that the consequent policy matters.

The position of women is quite different in Norway and in Poland.

Women in Poland are often discriminated, especially in small towns and villages, with regard to employment, earnings, civil rights, home duties, and/or family violence.

The difference between Poland and Norway might be illustrated by the following example: while the Polish government has one ministry of labor and social policies, in Norway, with a population of five million, there are two: the Ministry of Labor and the Ministry of Children, Equality and Social Inclusion. It's not by chance that the minister of labor is a woman, and until recently (2009-March 2012) the minister of children and equality was a young man.

The gender structure of the central national institutions marks also differences.

Today in the Polish parliament ([www.sejm.gov.pl](http://www.sejm.gov.pl)), after the elections of 2011, for 460 members, there are 110 women, so only 24%. In the Norwegian parliament ([www.stortinget.no](http://www.stortinget.no)), after the elections of 2009, there are 67 women out of 169 members, so 40% (without gender quota regulation!).

In the Polish government for 19 members of the cabinet, there are 4 women, so 21%, while in Norway there are 10, so they make up 50% of the 20-person cabinet.

What international comparisons tell us?

In The Global Gender Gap Index 2011, a report recently published by the World Economic Forum (<http://www.weforum.org/issues/global-gender-gap>), out of 135 surveyed countries, Iceland came first, just like in previous years, then Norway, Finland, Sweden and Ireland. Poland was 41st, after Cuba, Latvia, Lithuania, Moldova and Slovenia, and only one place ahead of Russia. In 2004, Poland was 44th and in 2009 50th, so there is no substantial improvement visible, but one can assume that changes go in the right direction.



## 4. The relevance of a country “good example” policy to regional development

### 4.1. Globalization phenomena

Globalization is a process of transformation of socio-economic systems and life conditions, commenced by free flows of goods, technology, production factors including labor, and people.

Globalization changes power division between countries, institutions, professions and social groups. It transfers the power of decision making to networks in distant or unknown locations, and therefore challenges both national states and local communities.

Global markets expand quickly due to a massive deregulation, privatization of public property and internationalization of business relations. Traditional direct contacts between producers, distributors and consumers break, also links between contribution and performance expire, as business partners operate far away, under different rules and work conditions and do not know one another (Tomczak D., 2009, p.167).

All of these create new interconnections, make the world system complex and unpredictable. Tough competition and high uncertainty push corporations, governments, speculators and other groups to act for their own benefit. It reshapes relations within the society, bringing new constellations (Nye, J.S. jr., Welch A., 2011, p. 258).

Global relations apply to a worldwide arena, with many participants in remote locations, where contacts are multiple, quick and thick, and networks complex and interdependent.

Globalization is the recent 30 years phenomena, not a process which started in XIX century economic internationalization.

### 4.2. Globalization and regions

Economic globalization carries on through market and its three main channels are: foreign trade, foreign investment and mergers & acquisitions, where FDI and mergers & acquisition show the highest dynamics since the 1980s.

According to research conducted by SNF (Bjorvatn, Norman et al., 2007) in a 25-year period 1980-2005 (1980=100), worldwide FDI increased roughly by 10 times, export by 3 times, GDP by 2,5 times, migration by 2 times. The value of M&A increased from ca 100 million dollars in 1993 to 1 billion dollars in 2007, a 10-fold increase (UNCTAD World Investment Report 2009, p. 11).

Global market creates both opportunities and threats for regions.

When central governments loose decision-making powers, and the access to information and direct contact with foreign actors is easier, new prospects open

up for regions. Regions can decide themselves and get resources directly from international partners and institutions. They can stimulate development locally, improving their own economic position.

'Region' is a minor 'bordered' unit, where two criteria, geography and public administration, apply the most. Geographic limits are given by nature, but public administration is usually organized as a central state–counties system or central state–counties–municipalities system. A region may also extend over country's borders, often into a cross-country geographic unit. So the term 'region' might be a sub-national or international 'bordered' unit (Tomczak, 2009; 174-175).

Regions in a global economy became 'glocal' – which means both global and local, an expression first used in the 1990s by Roland Robertson: "telescoping global and local to make a blend" (Robertson 1995; 28).

'Glocal' may describe a local unit, local organization, a group or small community, which acts on the local arena, but is linked to international networks and resources, and makes use of opportunities, which globalization open access to. The most important condition is 'to be connected' and so take advantage of it.

A 'glocal region' is a region, geographical or administrative, depicted by 'connectivity', involvement, participation, cooperation (Tomczak 2009; 176)

Being connected means to utilize new possibilities:

- get access to resources (information, knowledge, education, funds, labor)
- grasp opportunities for cooperation,
- participate in local community development,
- move around and transform new ideas
- ...and more

It applies to individuals, companies, public entities and administration – all have to contribute for opening up to 'glocality'.

Networking is a clue, as glocality makes it feasible, independently of distance and wealth. But infrastructure for communication and transport is necessary, and also culture for cooperation. It will boost regional activity and, finally, attain prosperity.

#### 4.3. Regional policy in the European Union

In June 1988 the Council of Ministers adopted a "cohesion policy," aiming at redistribution of resources from rich to less-advantaged and less developed areas of the Community.

The importance of regional policy has been expressed by establishing the Commission's own Regional Policy DG, which is in charge of ca 1/3 of the EU budget, contributing to regional development.

The fourth report 'Growing Regions, Growing Europe' 2007, points out to globalization as the main external factor of development, structural change and job creation.

There was a significant disparity in levels of wealth between the rich and the poor regions in Europe 2005. The Report concluded that the competitive position of regions, in general terms, was improving, but disparities were still substantial. The 12 new EU-members represented a great challenge for the Community's regional and cohesion policies at this time, as most of regions were far below average measures compared to regions in the "old" member countries.

Some general conclusions from the Report are:

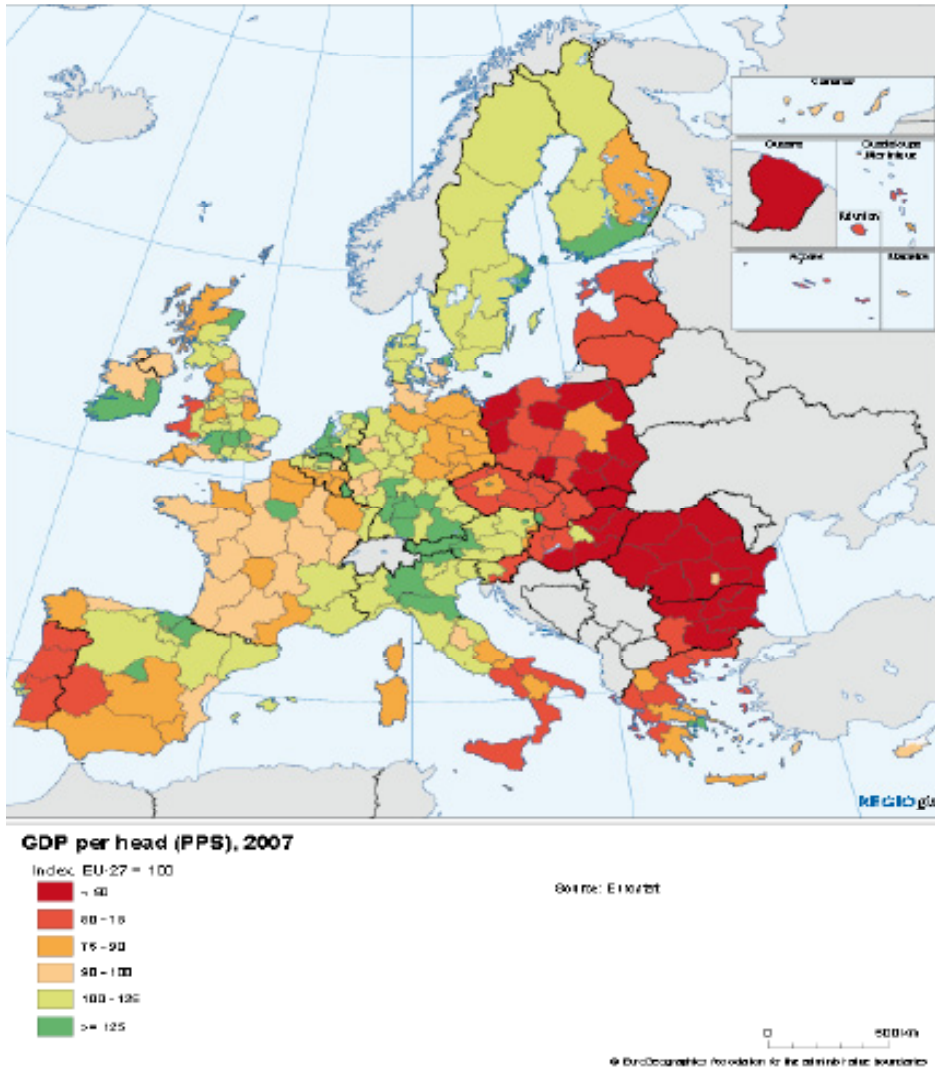
- Significant migration from rural areas to the cities.
- Increasing concentration of population and activity in capital city regions.
- Substantial education gap – bigger between regions within a country than between countries.

For Poland the picture of regions just after joining the EU, was not especially optimistic – low employment rate (2005) in most regions: only 41-55% of productive labour force at work; a few regions one step higher with 55-60% rate (p. 22), but far from the ambitious Lisbon Strategy target of 70% or Europe 2020 Strategy target of 75%.

Another activity factors cumulated in the Regional Innovation Performance Index 2002-2003 placed Mazowieckie in the average group, other counties below the average, east-south in the lowest group, with poor results.

( [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/reports/cohesion4/index\\_en.htm](http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion4/index_en.htm) p.79).

The next report has been published in 2010, Fifth Report on Economic, Social and Territorial Cohesion "Investing in Europe's Future" (EC, November 2010) indicates a track of coming reforms in cohesion policy and linking it to strategy for Europe 2020. ([http://ec.europa.eu/regional\\_policy/sources/docoffic/official/reports/cohesion5/index\\_en.cfm](http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion5/index_en.cfm)).

**Figure 5.** GDP (PPS) per head 2007

**Source:** Investing in Europe's future (2010) the fifth report on economic, social and territorial cohesion, p. 28 ([http://ec.europa.eu/regional\\_policy/sources/docoffic/official/reports/cohesion5/index\\_en.cfm](http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion5/index_en.cfm))

“Investment in future” – the reports headline – points out to regions’ development agenda, therefore knowledge and human capital are their focus: education, R&D expenditures, competitiveness and employment. The adverse sides of globalization are also addressed – poverty and the declining public sector.

For Poland there are two indicators one can worry about: the bottom ten EU regions for public investments are all Polish! Table 5 shows the gap between the best and the worst.

**Table 5.** Public investment in top and bottom ten EU regions in 2002-2006 (in PPS, euro pr head)

Country	Top Ten regions	EUR per head	Country	Bottom Ten Regions	EUR per head
This table shows ten regions with the highest yearly public expenditure in PPS 2002-2006			This table shows ten regions with the highest yearly public expenditure in PPS 2002-2006		
IT	Valle d'Aosta	4263	PL	Valle d'Aosta	4263
IT	P.A. Trento	3616	PL	P.A. Trento	3616
LU	Luxembourg	3211	PL	Luxembourg	3211
IT	P.A. Bolzano	3094	PL	P.A. Bolzano	3094
PT	Madeira	2422	PL	Madeira	2422
PR	Corse	2170	PL	Corse	2170
CZ	Praha	2124	PL	Praha	2124
ES	Castilla y Leon	1807	PL	Castilla y Leon	1807
ES	Aragon	1755	PL	Aragon	1755
IT	Sardegna	1696	PL	Sardegna	1696

**Source:** Investing in Europe's Future" EC, fifth report November 2010, Summary, p. 47

The other indicator to be worried about is the share of population in the risk-of poverty group (2008). Here three Polish regions – Swietokrzyskie, Lubelskie and Warminsko-Mazurskie score high – more than 20,4% of population is in this disadvantaged group (p.cit. 2010; 42).

When comparing the Fourth and the Fifth Report on cohesion, we see that the latter has an additional adjective in the title – “territorial cohesion.” I think this small change is important, as it indicates that the area one lives in has the right to improve towards a common standard, and the quality of living should be better without the necessity to migrate. The first step in this direction is education – from primary to tertiary, and so job (high employment level).

## 5. Capability and development

### 5.1. Capability concept

Prof. John Sutton, now at LSE, has been working on marked structures and industrial development issues, both as research questions and business solutions

in practice, especially in emerging economies (China, India, Ethiopia and other). His concept of capability is interesting because it brings together different – visible and invisible – aspects of knowledge-technology-skills applications converted between different units, to obtain a successful result. What makes a company, a region, or a country win or lose?

*“The capability concept, at one level, simply involves a broadening of the standard productivity concept to a world of differentiated products in which the quality of a firm’s products is a key determinant of its success (...) Other implications relate to the recent heated debate which has developed in response to the appearance of various well-publicised rankings of countries’ ‘competitiveness’. The issue here is whether it is a firm’s (or country’s) absolute level, or its relative level of capability, that is pertinent to its success. But the most important series of questions relate to Industrial Development: how fast, and how effectively, are capabilities being transferred to firms in developing countries as part of the current ‘globalization’ process? Can these latecomers become leaders in their respective global markets? If so, over what timescale? What are the policy measures that may help (or hinder) the process? And what are the implications of all this for the advanced industrial economies?”*

*(John Sutton, CLARENDON LECTURES IN ECONOMICS 2004, <http://personal.lse.ac.uk/sutton/>, downloaded April 2012)*

Another concept of “capability” has been developed in Norway by prof. Jan Fagerberg, whose research is focused on innovations and the dynamics of growth, addressing the relationship between capability and development (Fagerberg 2006, 2007).

In TIK working paper Fagerberg and his co-author (Fagerberg, Srholec 2007) present a sort of ‘capability index’, based on factor analysis of 25 indicators for 115 countries (1993-2004). The authors identify four types of capabilities: 1.innovation system, 2.governance quality, 3.political system and 4. degree of openness.

The factor score on these four main types of capabilities is presented for all countries in the group towards the GDP per capita. The former two ‘capabilities’ – innovation system and governance show a high correlation score towards development, the two latter ones – political system and openness – a low score. The results for single countries are to be found in the article.

One can find interesting interdependence – ‘connectivity’ represented in the study by phone and internet connection, shows high correlation towards innovations, so do education and access to the financial market. For a stable political system, democracy, civil rights and political competitiveness are important. Naturally, trade and FDI depend on the degree of openness, but ‘governance’ depends on knowledge, the rule of law and a functioning judicial system, so one can read how ‘capability’ affects growth and development (Fagerberg & Srholec, 2007; 19).

The presented results of factor analysis apply to countries, but the capability concept and its components are also relevant for regions, if proper data were collected.

## 5.2. Regions' challenge

I have presented a framework for socio-economic development and some bricks for construction of a reasonable regional activity mix. So it is up to regional authorities and population to find appropriate solutions.

The development framework is not finally determined, but mentioned features: aging population, rapidly changing demand for products and labour skills, migrations, weak central governments and finances, hanging uncertainty/insecurity – all are real.

Institutional factors – important for society development and cooperation, are also identified: education, effective labour market, non-discrimination, trust to people and institutions, public support and inclusion.

Regional statistics – both national and international – bring a clear picture of regional differences from all wished angles: economy and wealth, political and social participation, voting results, poverty and exclusion with more, so the 'start point' and a strategic target are also simple to depict. The European Union gives considerable support to less developed regions, so – Where is the problem??

Professor Guido Tabellini from Bocconi University in Milano has newly received Hicks-Tinbergen Prize 2012 for outstanding article published in JEEA "Culture and Institutions: Economic Development in the Regions of Europe". His article provides evidence that culture has a causal effect on economic development, and it is based on two variables, literacy rate (i.e. education) and past political institutions (i.e. history). As he states, the link of connection is as follows: Historical institutions → Culture → Economic Development, and says: "(...) culture is central to the mechanism through which past institutions influence the functioning current institutions"; "(...) Less trust and respect for others and less confidence in the individual are associated with lower per capita output and slower growth rates" (Tabellini 2010; 679). He gives interesting explanations for differences between South and

North Italy: one country – same language, same economic and judicial system – different outcomes.

The conclusion for regions is simple but not easy: each region has to find out its own way to mobilize resources for promoting education, participation, cooperation, in order to employ all available human capital for sustainable development.

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