

Regional policies and regional capacity-building in Poland

GRZEGORZ GORZELAK

Introduction

This paper will briefly examine the general problems of Polish transformation. In detail it will present its regional patterns and will refer to the regional policies undertaken after 1990, with special reference to the new institutional setting provided by the territorial decentralisation reform. The paper will provide a deeper insight into two regional cases: the Wielkopolska region, a territory traditionally rich in social and economic fabric and well prepared to the post-socialist transformation, and the old industrial region of Upper Silesia (the Katowice administrative region - voivodship).

1. The post-socialist transformation

Since 1990 Poland has undergone rapid and deep – and, until now, very successful – post-socialist transformation, which has embraced all wakes of socio-economic life (tables 1,2). Polish economy shifted from the so-called planned system to a market economy, and expanded its external connections from the closed setting of the former COMECON to the open global market.

Table 1. Dynamics of GDP in post-socialist countries, 1989-1996

Countries	1990	1991	1992	1993	1994	1995	1996	1996
	previous year=100							1990=100
Byelarus	.	99	90	92	87	90	103	66
Bulgaria	91	88	93	99	102	102	89	75
Czech Rep.	100	89	97	101	100	106	104	98
Eastern Germany	84	81	108	106	109	109	.	110 ^a
Hungary	97	88	97	99	103	100	101	90
Lithuania	93	87	48	76	101	103	104	34
Latvia	103	89	65	84	102	100	103	51
Poland	88	93	100	104	105	107	106	118
Russia	97	95	86	91	87	96	97	61
Romania	94	87	91	102	104	107	104	93
Slovakia	98	85	94	96	105	107	107	92
Slovenia	92	92	95	103	105	104	103	100
Ukraine	96	88	83	83	77	88	90	37

^a1995

Table 2. Dynamics of basic economic categories, Poland, 1989-1997, previous year=100

Categories	1989	1990	1991	1992	1993	1994	1995	1996	1997
Gross Domestic Product	100.2	88.4	93.0	102.6	103.8	105.2	106.5	106.1	106.9
Industrial production	99.5	75.5	92.0	102.8	106.4	112.1	109.4	108.3	110.8
Agricultural production	111.0	99.7	106.8	87.7	108.0	89.2	117.8	99.1	101.7
Fixed capital formation	97.9	89.4	95.6	102.3	102.9	109.2	126.0	120.3	120.2
Consumption	104.9	84.3	107.5	103.5	104.8	103.9	104.1	107.5	106.2
Exports	100.2	113.7	97.6	97.4	98.9	118.3	116.7	109.7	113.7
Imports	101.5	82.1	137.8	113.9	118.5	113.4	120.3	128.0	122.0
Foreign investment	.	.	185.0	233.0	253.0	109.3	195.0	142.0	.
Working population, total	99.0	97.3	94.1	95.8	90.9	101.1	100.3	101.9	101.9
Working population, public sector ^a	.	93.1	85.4	89.1	103.4	95.1	95.7	96.2	93.7
Working population, private sector ^a	.	102.1	104.8	102.4	103.6	105.5	103.3	107.1	105.3
Unemployment rate	.	6.3	11.8	13.6	13.7	16.0	14.9	13.2	10.5
Inflation ^a	351.0	686.0	171.1	142.4	134.6	130.7	126.8	119.8	113.3
Households' real incomes	.	.	100.6	98.7	99.2	100.6	101.9	106.4	.
Households' real outlays	.	.	104.2	97.2	102.5	96.9	97.8	105.9	.

Source: Roczniki Statystyczne (Statistical Yearbooks) 1990-1998. G.Gorzelaak, The Regional and Local Potential for Transformation in Poland, EUROREG, Warszawa 1998; ^aDecember-to-December basis.

In 1998 the new government introduced measures to cool down the economy, in order to avoid the dangers of Mexican, Czech or even Far-East (not speaking of Russian) type of economic difficulties. By the beginning of 1999 this policy has appeared to be "too successful": the growth rate dropped down to some 3-4 per cent and the deficit of the current account remained at a high level. First and foremost, this problem can be attributed to "imported" results of the crisis of other "emerging markets", especially of Russia, which used to be an important buyer of Polish commodities, food products in the first place.

Institution-building has been a very rapid process in Poland after 1989. An entire "business environment", compatible with the requirements of market economy, had to be created from scratch. Although the process was to a great extent successful, shortages in financial services, counselling, training and other business supporting institutions are still not eliminated.

There are several major challenges for further structural changes: the reform of the inefficient welfare system (health care, personal insurance system); the pace of privatisation, which has slowed down and which is a precondition for rationalising production structures; the elimination of inefficiency in state enterprises which produce losses that are covered by the state budget, but whose political power prevents them from closure or restructuring; the deficit of the

current account, which is being covered by the inflow of foreign direct investment¹ and unregistered border trade.

It was only very recently when the first reforms of the social welfare system were introduced, and there is a chance for a successful outcome of these undertakings. However, the major economic and political choice – maintaining inefficient "dinosaurs" of the socialist system versus restructuring them and directing saved resources to more progressive sectors, like science, education and infrastructure building – has not yet been taken. Up to now, the socially-oriented choices prevail over the future- and efficiency-oriented solutions.

In 1999 another reform of crucial importance for the future development of the country was introduced – the decentralisation of the territorial administrative structure. This reform will be described in more detail in one of the following sections of this paper.

The post-socialist transformation should be regarded as a „normal” process of technological and organisational change, performed later than it would have been the case if Central Europe (and other socialist countries) had been earlier incorporated into the open global economy. The decline in economic output which occurred in the post-socialist countries after 1990 was the price for restructuring (similar to the price that the West paid for its change of socio-economic structures after 1973). To a great extent the Polish success has been earned by the fact that the sacrifices Poland had suffered were the earliest and the greatest among the post-socialist bloc, which based Polish transformation on sound foundations, like firm and careful fiscal policy of the government and massive response of millions of private entrepreneurs. Poland has gone through the steepest – and therefore for the future the most promising – J-curve.

The overall picture of the Polish experiment of building the market system in an accelerated manner deserves a positive evaluation. Strong foundations for future growth have been created. Poland is gaining international confidence and the majority of Poles have found their place in the new political and economic situation.

Disputes whether the economic recession was truly a fact of historical necessity, or whether it had been caused by mistakes and an incorrect approach to economic reform, have been vivid and even nowadays are not entirely irrelevant. In its predominant part, the economic decline in Poland was a necessary adaptation to new internal and external conditions. To demonstrate it in the most concise form, one may say that this adaptation can be presented as implanting the post-fordist type of organisation of economic, social and political life into the economy which had been shaped by fordist paradigm of economic development. Poland, like other post-socialist countries, is catching up (at a much faster pace) with the rest of the developed world, more advanced on the basis of this restructuring.

¹ Totally, over 30 billion dollars came to Poland as foreign direct investment. In 1998 the inflow equalled to 10 billion, over 50 per cent more than in 1997.

Poland's development objectives in the time span of the next dozen years (until about 2010) include maintaining a **high and stable rate of growth** (on average over 5 per cent annually) accompanied by the simultaneous thorough **structural change**, which implies a necessity to make a substantial investment effort in the range of 25 per cent of the share of accumulation in GDP towards the end of this period. These goals stem from the assumption that only such a strategy will allow to grasp the historic opportunity of overcoming civilisational backwardness with regard to the higher developed countries of the integrated Europe. Such a set of goals originates from the conviction that Poland shall become a part in the global arrangement which will for decades to come be subject to the paradigm of increasing competition and pressure of countries offering goods manufactured by cheap and extremely well-disciplined labour force. This competition will reinforce the economic and technological polarisation of the world. Poland may join the group of the civilisationally advanced countries; it may, however, be pushed back to the role of the supplier of low-processed mass products, manufactured by underpaid labour force.

2. The regional structure of Poland

As a relatively large territory (312 thousand square kilometres, over 38 million inhabitants) Poland is a country of regional differentiation. The regional differences manifest themselves in geography and landscape, demography, economy, culture and politics. Two major dimensions are responsible for this differentiation: a structural one, related to history, and an urban-rural dimension. Their cross-product shapes the structure of the Polish territory.

Territorial differences in Poland reach back many centuries before the partition of the country between three powers: Russia, Prussia and Austria (1795-1918) and may be traced back to the first wave of urban development between the 13th and 15th centuries. This wave brought to Poland *locatio civitas* under the Magdeburg law and its variants, which determined the spatial pattern of several cities created at that time. In addition, the adoption of a specific agrarian regime gave a specific shape to villages. These processes were, in general, more intensive west of the Vistula river. Moreover, the 19th century industrialisation of Polish cities was much more intensive on the territories west of the Vistula.

Thus, the 19th century deepened the already existing divisions not only by uneven industrialisation and infrastructure development, but also through the administration of Polish territories by the three above-mentioned states. Whatever can be said about the hardships suffered by Poles under Prussian rule, it must be admitted that those territories were part of a European state which was undergoing fast modernisation and in which the rule of law was preserved, despite particular cases of abuse. Paradoxically, it is perhaps the political, cultural and economic pressure exerted by the occupying state which contributed in Wielkopolska to an even stronger consolidation of the Polish society and the Polish economy in that region, which was able to protect itself

against the German economy despite the strong support of the latter from the Prussian state. These values also resulted in a more orderly spatial planning.

The situation on Polish territories annexed by Russia was substantially different. These territories were under the strong influence of Asian civilisation and were administered in a typical way. The bureaucracy was poorly remunerated and inefficient, with very corrupt czarist officials representing various ranks. Although, at least in some cases, this corruption sometimes "softened up" the Russian occupation, it had a clear demoralising effect on the society. Only the Polish territories situated on the western outskirts of the czarist empire were, in a way, a bridge between Russia and Europe, and they took a clear advantage of this "location rent", enjoying relatively good conditions for economic development. The most spectacular example is, of course, that of Łódź², but this was also true to a lesser extent for the Dobruża Coal Basin (just East of Upper Silesia), Częstochowa, Bydgoszcz and Warsaw, all cities located west of the Vistula river.

The differentiated developmental conditions of the three territories, which in 1918 joined to form the independent Polish state, left behind deep traces in the level of economic development, the infrastructure (roads, railways), the level of urbanisation, the legal system, the education and attitudes of the population and the cultural landscape. After World War II Poland's borders were shifted westward at the expense of the eastern – less developed – territories taken over by the former USSR by force of the Treaty of Yalta.

Summarising, one may say that the historical differentiation of the former and present Polish territories can be presented as follows:

- territories located west of Vistula, long under the influence of the West, undoubtedly constituting a part of Western Europe;
- territories located east of the line dividing Slavic Christendom into two parts: western (Roman-Catholic) and eastern (Orthodox), under the influence of the East, belonging to Eastern Europe;
- territories between these two historical borders, constituting a "transitional area" in which the influences of Western and Eastern Europe intertwined and jointly shaped their social, economic and spatial structures.

These divisions may be exemplified by the extent of architectural styles: romanesque style reached only the Vistula river, while the gothic style reached the „Huntington's line”³ which since 1054 has separated orthodox Christianity and Islam from western Christian denominations.

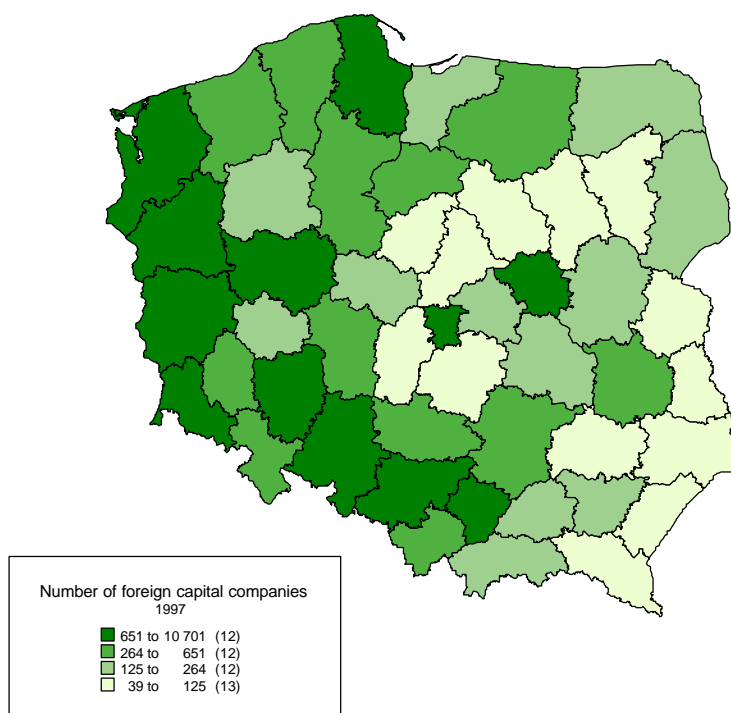
² A city which was created in the second half of 19th century and within few decades became one of Europe's largest concentration of textile industry. A film of Andrzej Wajda, *The Promised Land* (based on the book of Polish Nobel-prize winner of 1924, Władysław Reymont), provides an excellent account of the emergence of this multi-national and multi-cultural capitalism in a relatively backward country.

³ S.P.Huntington, *The Clash of Civilisations and the Remaking of World Order*, 1996.

The East-West division is nothing strange in this part of Europe. In the Czech and Slovak Republics this has been a traditional spatial pattern, shaped by the long history of these territories. In Hungary it emerged after 1990, and replaced a historical division of the country across the line which separated better developed regions in the north-western part of the country from the less developed ones in the south-eastern part. Nowadays, the Danube river is the main line of division of Hungary⁴.

The post-socialist **transformation** has had a clear regional pattern: few regions appeared to be better prepared for new economic conditions, others have not been able to cope with them so well. Not surprisingly, the historically higher developed regions display better adaptability to the competitive open economy. Their richer and more modern economic structure, better qualifications of the labour force, better equipment with high-quality institutional and material infrastructure make them more attractive to domestic and foreign investors (see fig. 1). As a result, structural changes have been deeper in these regions and the dynamics of transformation greater.

Fig. 1. Companies with foreign capital in Poland, 1997



⁴ See also G.Gorzalak, *The Regional Dimension of Transformation in Central Europe*, Jessica Kingsley Publishers, London and Bristol, Pennsylvania, 1996

In general, the level of development of the urban areas is higher than that of the rural ones. Especially, the big cities, almost evenly distributed over the country's territory (though relatively less densely in the East) constitute the nodal system of the economic, scientific and cultural life of the country. **Big urban centres**, almost evenly distributed over the country's territory, found themselves in the best position. Most manifestations of transformation – like institution-building, rapid development of university education, foreign contacts etc. – became concentrated in the biggest urban centres of Poland. For example, nine academic centres concentrate over 70 per cent of students and 80 per cent of faculty. The qualitative dimension is even more concentrated spatially than the quantitative one: for example, **Warsaw** concentrates less than one third of national R&D staff, but 38 per cent of all professors working in the country (in **Kraków** these figures are 11 and 13 per cent, and in **Wrocław** 7.5 and 10 per cent, respectively). Warsaw, Kraków, **Poznań**, Wrocław and may well be considered as European cities and – if the Polish transformation is performed as successfully, as it has been until now – these cities may improve their position in the ranking of Euro-poles. **Szczecin, Gdańsk and Lublin** belong to the Polish "second division", though these cities play an important role as supraregional centres of national importance (in the case of Lublin this is more the matter of the future and depends on developments in the eastern neighbourhood of Poland). **Katowice and Łódź**, as old industrial regions, are in the process of transition.

The traditional rural-urban split has become even stronger than in the industry-driven planned economy of the socialist system. This is due to the fact that Polish **agriculture** at large remains one of the weakest sectors of the national economy. It is also the sector which is regionally most differentiated. Polish agriculture is characterised by three different types of production structure:

- large farms of several hundreds (or even a few thousand) hectares, based on hired labour and functioning according to the principles of a capitalist enterprise. This type prevails in north-western Poland, where the huge state farms, after few years of decline, are now in private hands and demonstrate – in general – good chances for efficiency and future development;
- big, dynamic family farms (up to a few hundred hectares), functioning in accordance with the principles of the free market and aspiring to the family enterprise model. This type of agriculture is concentrated in the mid-western region of Wielkopolska, where the tradition of high agricultural culture is the best in the country;
- numerous small farms (from 1 to 5 hectares), with primarily social (self-provision, reproduction of a certain lifestyle) and psychological functions (sense of security in uncertain times). This type prevails in south-eastern

Poland, where the farms are the smallest and the hidden rural unemployment is the highest – while in the central and north-eastern parts of the country the farms are bigger (though far less effective than in Wielkopolska). In the north-eastern regions of Poland the rural areas quickly depopulate due to migration outflows.

The regional structure of agriculture is an important aspect of Polish transformation, since this particular sector will be one of the "touchy" problems of the EU accession of Poland. Paradoxically, it will be not the regions with the weakest agriculture which may suffer from the integration process and which may appear dangerous for the current EU members. The self-subsistence small farms will not notice the integration – and the EU will not notice the existence of these farms – since their products are not offered even on the domestic market, not speaking about the international markets. On the contrary, the global-market conditions will immediately influence the biggest Polish producers of food products, and, at the same time, these producers will create a competitive threat to their counterparts in the EU. Not the weakness, but the strength of Polish agriculture, may thus become a sensitive problem of Polish integration into the EU⁵.

The post-socialist transformation has embraced the **old industrial regions** – however, not all of them in the same manner. The cases of already mentioned **ód** and of Upper Silesia are the most typical for fast (**ód**) and delayed (Silesia) industrial change.

The **ód region** - a traditional centre of textile and clothing industries developing in the 19th century - provides a positive example of industrial restructuring. These industries underwent a rapid collapse at the very beginning of the transformation. No one defended the politically weak, mostly female, workforce in textile and clothing factories. In comparison with the coal mines, these industries were of minor importance for the national economy. **ód** was left to itself and this was one of the factors underlying the social mobilisation of regional and local elites. **ód** managed to revitalise its economy, though this recovery is still rather shallow and relies on the demand for rather simple and inexpensive textiles, which need unskilled labour. Full utilisation of diversified academic and scientific structure is still then matter of the future, as well as a shift to becoming a centre of high-quality garment.

Though dramatically ineffective, the heavy industries of **Upper Silesia** are still facing massive restructuring and a dramatic decline of employment. This region will be discussed in more detail in one of the next sections.

Regional polarisation has been an obvious result of the transformation processes - however, this polarisation occurs when even the lagging regions do demonstrate positive rate of growth, although smaller than the most dynamic ones. In economic-statistical terms Poland is a country with relatively mild regional differentiation: the ratio of GDP per inhabitant (see fig. 2) of the poorest and the richest regions (out of previous 49 regional units) was

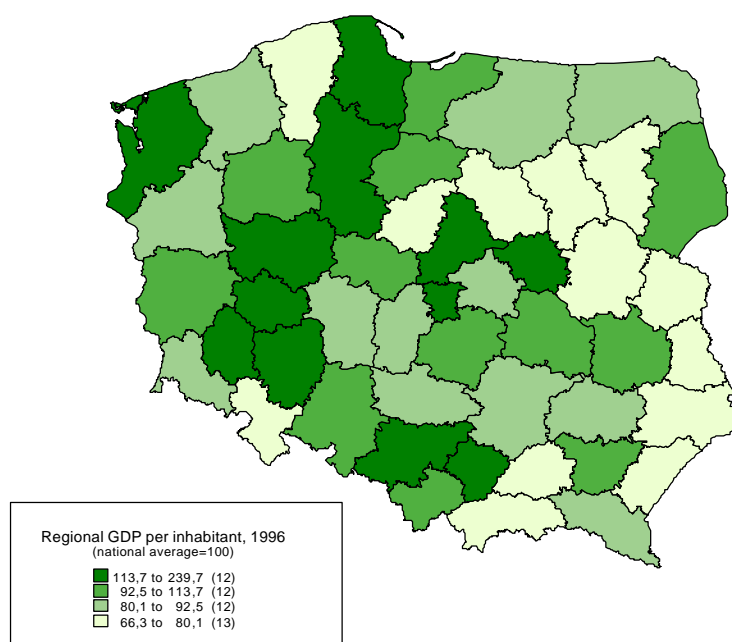
⁵ The restructuring of the Polish agriculture will remain the internal task of Poland and EU funds should not be regarded as compulsory aid for Poland.

approximately 1:2.8, which is much less than in such countries as Italy or Spain (had they been divided into similar number of regions). In the new regional division of the country into 16 regions these statistical interregional differences are slightly smaller, though the intraregional differences are higher (up to 4:1 in one out of new regions, see table 3).

If the thesis that the organisational and technological import for the West will remain the main factor of modernisation of Central Europe (as it had been during the last years) is correct - and there are no sound counterarguments to deny it - then the **East-West split** will shape the regional structure of Poland (and also of its Central European neighbours) also in the near future, in this way reinforcing the tendencies of spatial polarisation. Also, there are no signs that the peripheral, backward regions may reach faster rate of growth than the Polish metropolises - on the contrary, it seems that in the quality- and innovation-driven new development paradigm such retarded regions have even smaller chances of catching-up than they had in the industrial development paradigm. As a result, the urban-rural split will manifest itself in the Polish space with growing strength.

Fig. 2. Regional GDP per inhabitant, 1996, national average=100

3. The regional policy



Since few decades the **regional policy of the Polish state** was more formal than real. Appropriate governmental agencies formulated better or worse programmes of regional development and principles of regional policies - but not much of these was put into practice. In the 1970s, when new capital formation was considerably great, voluntaristic decisions of the central authorities overruled any spatial considerations of the planning bodies; in the 1980s not much was done in Polish socio-economic space, since the collapsing socialism tried to maintain its declining ability for creating economic development; in the 1990s the liberal approach has not left too much room for regional policies and the weak actions which were undertaken under the heading of "regional policies" assumed reactive and passive attitude, intervening where the transformation created some grave problems.

Two such problems appeared: **unemployment and industrial decline**. The unemployment policies concentrated mostly on passive means, like unemployment benefits and the like, which consumed around 90 per cent of all resources directed to this policy. The intervention was concentrated in selected localities labelled as "regions endangered by structural unemployment", which enjoyed more favourable conditions of receiving the assistance. The aid to the regions facing restructuring of the industry also to a great deal took on pathological forms. Instead of financing undertakings which would create jobs outside the declining branches of industry, the central authorities, by means of overt subsidies and guaranteed loans as well as indirect forms of aid such as remission of delinquent taxes or social security premiums, sustained the falling huge state enterprises, thus delaying their inevitable restructuring. Beneficiaries of this policy were: the mining industry, metallurgy, munitions industry, partially the shipping industry, that is, regions with the majority of the so-called big industrial working class (i.e. workers employed in big state

enterprises). In this light, observations of the Central Planning Office (CUP) pointing to the dictate of the trade unions in shaping the regional policy of the state seem well founded.

In 1995-1998 some work was done in the field of the state **spatial policy**. A new document, issued in 1999⁶, discusses major spatial and regional problems of Poland. It allows interregional differences to grow, indicating that the few metropolises of the country should become the centres of accelerated growth and innovative production as well as the gateways connecting Poland with the global economy. *The Concept of the Spatial Policy of the State* puts great stress on environmental issues, however with the perspective that a compromise between the economy and the environment should be sought and reached.

In conclusion, regional policy conducted in Poland after 1990 can be referred to as a **regressive policy**. It was a response to the difficult situation arising in a specific region and, if this was a region with significant political power or many so-called social needs, the state would allocate certain resources, insufficient to improve the region's situation in any significant way. In the past few years **progressive** activities, which would aim at achieving goals identified on the national scale, could hardly be found in the Polish regional policy.

Up to now **no institution** which would be responsible for formulating and implementing national regional or spatial policies has been created in Poland. Particular departments of the central government in fact distribute large public resources among particular regions, but they do this in an uncoordinated manner. As a result, a massive redistribution through the central budget takes place (public revenue makes almost up to 50 per cent of the GDP, out of which over 60 per cent, i.e. 30 per cent of the GDP, goes through the central budget). In general, richer regions lose and poorer regions gain from this redistribution, but this happens as a result of several sectoral (vertical) policies without much territorial (horizontal) co-ordination.

The state regional policy (inter-regional policy) should be subordinated to the long-range policy of national development. For this reason, goals of regional policy and goals related to country development must not be conflicting. These goals obviously cannot be purely economic. Core tasks of the state include also: ensuring the inviolability of the country's territory and safety of its citizens, ensuring a standard of living at a level regarded as minimum in the given circumstances, trying to equalise education opportunities. This, however, should not be understood as a postulate that the justified social needs should unconditionally be fulfilled without any efforts on the part of those interested. On the contrary, such people should be expected to be active and to a large extent self-responsible (e.g. able to make the decision to migrate to the place offering better living and work conditions).

⁶ *Koncepcja polityki przestrzennego zagospodarowania kraju* (The Concept of the Spatial Policy of the State), Rządowe Centrum Studiów Strategicznych (The Governmental Centre for Strategic Studies), Warszawa 1999.

The dramatic **equality - efficiency dilemma**, which has to be tackled by any regional policy, should be solved in favour of supporting **pro-innovative** activities, which enhance the effectiveness of the investment and increase the **competitiveness** of Poland on the global labour, innovation, capital, commodity and service markets. Elements of a pro-equalising regional policy may be introduced only after the ultimate goal – overcoming the country's civilisational backwardness by the means of fast economic growth and deep structural changes in the economy and social-occupational structure – is attained.

During the next decade Polish regional policy should be orientated to assist the **less developed regions** only to such an extent which is required in order to avoid social tension endangering the country's developmental processes or in the case of some regions being threatened by a sustained, heavy regression (and not just a relative one, that is, as compared to the regions with a faster rate of development), which might lead to permanent marginalisation of certain territorial communities. An increase in **regional differences** should be allowed; they will occur as a result of differences in the development rate of individual regions provided that the regions developing at the slowest rate will be improving their situation. Aid should only be granted to those regions which prove to be unable to attain a slow, albeit positive rate of growth. Such aid should take the form typical of regional policy, such as construction of infrastructure, improvement of the educational potential, aiding the most effective enterprises located in the respective region or starting business there.

In the upcoming years, conducting regional policy in its traditional, redistributive sense should only be allowed in extreme situations. Such a policy can only be pursued by providing self-governmental budgets with equalising subsidies aimed at reaching the social minimum mentioned above (which in respect to territorial units takes the form of an "infrastructure minimum"). As for other instruments of spatial policy, areas entitled to aid should not be selected on the basis of the low level of GDP per capita. In addition, the list of subregions marked out for aid due to high unemployment should be reviewed, whereas instruments used in those regions should be more orientated towards active forms of combating unemployment, and even to facilitating migration. The principle that those regions, which are prepared for receiving and efficiently utilising external assistance are served first, should be adopted. The notion of the **regional contract** should be widely disseminated in Poland. The contracts should be concluded between the national government and the regional self-governments for co-financing projects of mutual interest of the region(s) and the state⁷. Thus, the external assistance would drop on the fertile socio-economic soil and emergence of the "external aid dependency syndrome", already widely manifested among the poorer regions of Western Europe and the USA, could be avoided.

⁷ The initial proposal was put forward in Z.Gilowska, G.Gorzelaak, B.Ja owiecki, *Za o enia kontraktu regionalnego dla ciany Wschodniej* (Principles of the Regional Contract for the Eastern Wall), MUNICIPIUM, Warszawa 1999.

The discussion about the model of a regional policy adequate for Poland at the edge of joining the European Union has become more and more vivid. Although it is not openly admitted by the governmental officials, the equity-efficiency dilemma has to be solved, albeit new economic and political conditions. As elsewhere, Polish politicians prefer not to notice the necessity of efficiency, and speak almost entirely about regional equalisation, which is political less risky (usually, as a result of rapid and deep structural changes there are more losers than winners). Firstly however, it appears that in the new knowledge-driven development paradigm the equity goal is even more difficult to achieve, while the efficiency goal is becoming more widespread as better responding the contemporary challenges. Secondly the interference of the regional policies of the European Union, which themselves are under reforms, will increasingly influence the Polish policies in a way which presently can be hardly foreseen. Thirdly, the newly introduced decentralised system of territorial administration shifts some tasks to the regions themselves, lifting some responsibilities from the central government.

4. The reform of the territorial organisation of the state

After 1989 the territorial organisation of the Polish state was fundamentally changed in two steps: in 1989 self-government was introduced on the local level and since 1999 it has been installed on the intermediate and regional levels. The present structure of the territorial units is the following: (see fig. 3):

Fig. 3. Administrative division of Poland since 1 January 1999

16 regional units (voivodships), provided with a strong self-government elected in direct election, presided by a marshal and equipped with property and budget. Apart from the self-governmental authorities there is the governmental administration, headed by the voivod, nominated by the prime minister and responsible for implementing the state policies (limited to "police-like" duties, i.e. maintenance of national standards etc.). Big voivodships assume many of the current responsibilities of the national government, which would make the central government smaller, but stronger.

- Over 300 fully self-governmental districts which assume some responsibilities previously performed by the old voivodships (such as post-graduate education, roads, employment services). No competencies of the *gminas* have been transferred up to the districts.
- Over 2,500 local, self-governmental units (*gminas*), responsible for basic service delivery to the population, as well for basic technical local infrastructure.

Poland is the only post-socialist country which performed a full **decentralisation** reform of its territorial organisation. Despite its shortcomings – which should gradually be eliminated through deepening the decentralisation – the self-governmental system has proved its value. It has been an excellent school for democracy and efficient management of public funds. However, as

in the economic process, the performance of local governments strongly differentiated and followed the general East-West divide of Poland. This differentiation will further deepen the regional/local differences in Poland.

The decentralisation reform will have an important impact on the regional development of the country. Firstly, since 1999 the regions themselves – getting stronger economically and politically – have undertaken several responsibilities, previously reserved for the national government, such as elaborating regional development strategies, implementing regional labour market policy, providing services of whole-regional importance, as well as undertaking international contacts (within the framework set by the Foreign Ministry). As the decentralisation process continues, the regions will also be able to undertake new tasks which at present are not carried out at all (such as creation of regional systems of innovation, technology transfer centres, international promotion etc.).

Secondly, since the abilities of the regional and local political elites are differentiated, the results obtained by particular bodies of the territorial self-government will lead to the differentiation of development paths of the territorial units. The wiser will become richer, while others will not be able to cope with the challenges of the global, competitive economy. The development chances of the new big Polish regions is presented in table 3.

Table 3. Strengths and weaknesses of Polish regions

a: GDP per inhabitant, Poland=100, 1997

b: highest/lowest value of GDP per inhabitant in districts within a given region, 1997

Regional capitals	Strengths	Weaknesses
Białystok (podlaskie) a=72; b=2.1	Clean environment. Higher education. Border location. Tourist potential	Peripheral location. High share of agriculture. Low educational level
Bydgoszcz –Toru (kujawsko-pomorskie) a=84; b=2.4	Favourable location on Northern-South axis. Higher education.	Internal periphery. Deteriorated urban structures. Inefficient transport infrastructure. Conflicts within regional elites
Gdańsk (pomorskie) a=100; b=2.6	Maritime location. Big harbour. Cultural heritage. Tourist potential. International airport	Deteriorated urban structures. Inefficient transport infrastructure
Katowice (śląskie) a=115; b=2.6	Good transport connections. Higher education and R&D potential. Big urban agglomeration. Industrial traditions.	Derelict industrial and urban structures. Heavy pollution. Low educational and one-dimensional level
Kielce (świętokrzyskie) a=69; b=2.2	Central location	Low endogenous potential. Poor infrastructure. Deteriorated rural space. Low educational level. Internal periphery
Kraków (małopolskie) a=90; b=2.9	Cultural heritage. Favourite image. Tourist potential. Higher education and R&D potential. International airport.	Deteriorated urban structure. High pollution in the city
Lublin (lubelskie) a=73; b=2.7	Higher education. Border location	Peripheral location. High share of agriculture. Low educational level
Łódź (łódzkie) a=94; b=2.8	Higher education, R&D potential. Central location. Proximity of Warsaw	Deteriorated urban structure. Shallow restructuring. "Shadow" of Warsaw
Opole (opolskie) a=86; b=1,8	Location between two greater metropolises. Rich infrastructure. Industrial traditions. Contacts with Germany	Low endogenous potential. Pollution
Olsztyn (warmińsko-mazurskie) a=77; b=2.2	Clean environment. Tourist potential	Peripheral location. High share of agriculture. Low educational level
Poznań (wielkopolskie) a=108; b=2.1	Western location. Higher education. R&D potential. Organisational skills and traditions. Diversified economic structure. International airport. Good image	Inefficient transport infrastructure. Deteriorated urban structure
Rzeszów (podkarpackie) a=75; b=3,0	Higher education. Clean environment. Tourist potential	Peripheral location. Poor infrastructure. Low educational level. Difficult restructuring of agriculture.
Szczecin (zachodniopomorskie) a=97; b=2.4	Proximity to Berlin. Maritime location. Big harbour	Inefficient transport infrastructure. Deteriorated urban structure

Warsaw (mazowieckie) a=151; b=4,2	National capital. Higher education. R&D potential. Cultural heritage. Diversified economic structure. International airport.	Deteriorated urban structure. Chaotic urban development. Inefficient transport infrastructure.
Wroc aw (dolno l skie) a=94; b=2.0	Higher education. R&D potential. Diversified economic structure. Cultural heritage. Tourist potential. Western location.	Deteriorated urban structure.
Zielona Góra – Gorzów (lubuskie) a=86; b=1.7	Border location. Tourist potential.	External periphery. Inefficient transport infrastructure.

In a decentralised system it is up to the regions how to use the regional potential. The central government should intervene in the regions only when such interventions would appear beneficial for the whole country: construction and modernisation of major transportation corridors, enhancing trans-border co-operation, assisting the regions in developing their educational and R&D potential could be among the most obvious undertakings which can increase the international competitiveness of the Polish regions and, as result, of the whole country.

5. Regional capacity building: the successful case - Wielkopolska

Wielkopolska region is located in the mid-west of Poland. Its main city, Pozna , is inhabited by 580 thousand population and is the fifth biggest of Poland. After the reform of the territorial organisation of Poland, the historical region of Wielkopolska will now be under one self-governmental authority (in the period 1975-1998 it was split among several administrative units subordinated to the central government). In this now united region there are few larger cities: Kalisz (the oldest town in Poland, with over 100 thousand population), Konin (85 thousand), Pi a (75 thousand), Gniezno (the first capital of the Polish state in 11th century, 70 thousand), Leszno (60 thousand). After the reform of 1998, the total area of the new Pozna voivodship will reach almost 10 per cent of the country's area, and the population will equal to almost 3.5 million people. The density of population is slightly above the national average and the urbanisation index is close to 60 per cent.

The region of Wielkopolska became in the late 10th and the early 11th century the cradle of the Polish nation and of the Polish state. Throughout its entire history the Wielkopolska region has belonged to Western Europe. While being a part of the Prussia in 19th century – the period of modern industrialisation and institution building – despite its peripheral location in the Prussian state, the regions of Wielkopolska, together with Pomerania, enjoyed rapid modernisation processes. At that time the Polish population lived according to values facilitating capitalist growth (respect for law, work, saving and the

increase of personal wealth). Paradoxically, it is perhaps the political, cultural and economic pressure exerted by the occupying state, which contributed in Wielkopolska to an even stronger consolidation of the Polish society and the Polish economy, which was able to protect itself against the German economy. These values also resulted in a more orderly spatial planning of the region, in which the development of cities and countryside was gradual and new growth was built upon previous structures.

In general, Wielkopolska should be considered as the most advanced in self-organisation and entrepreneurial spirit. Due to the social and economic consequences of region's history and experience, the inhabitants of Wielkopolska are characterised by better social self-organisation and higher regional identification, and the popular opinion about their diligence and respect for order is also well grounded. They are also better educated (13 per cent of the economical active population of the Poznań region acquired university education – in Poland this rate is around 7 per cent). On the basic level the heritage of the relatively higher developed education system can be seen in the rural areas – over 40 per cent acquired education higher than just primary school (in less advanced parts of the country this index falls below 20 per cent).

Wielkopolska is a region with well developed settlement network. There are several medium-sized and small towns, which are natural service centres for the surrounding rural areas. These towns are well equipped with social and institutional infrastructure. Of special importance is the cultural heritage, materialised in the form of many architectural monuments of both Christian and secular character (the richness of Wielkopolska in this respect may be only compared to Lower Silesia, located in the south-western part of Poland). The road and rail networks are higher developed than in some other regions of the country.

The East-West connection is the main transportation axis of the region. Both the international railway and road from Paris and Berlin through Warsaw to Moscow cross Poznań. Thus, Poznań is one of the main points of this important international route. This favourable location is very beneficial for the city and for the region as a whole. Poznań is just 1.5 hours drive from the border crossing with Germany and the travelling time will get much shorter after the construction of the motorway A2 (East-West). Poznań is to be the only stop of the TGV train Berlin-Warsaw with the extension to Moscow.

The region benefits from its diversified economic structure. Its parts have a clear specialisation:

- Poznań is an important scientific centre (9 per cent of Polish academic staff and university students work in the city). It is also an important cultural centre. The main Polish exhibition and international fair centre is located in the city, with a pre-war tradition; it is the third (after Warsaw and Kraków) national centre for business supporting institutions and financial organisations. It accounts for the third biggest national concentration of employment in financial and insurance firms (21.5 per

1000 inhabitants, national average equal to 14). Poznań hosts several industrial plants, with machine, electronic and means of transport as leading industries;

- other cities of the region add to its industrial potential: Kalisz and near Ostrów Wielkopolski (machine and electric industries, as well as light and food processing industries). Konin, providing 10 per cent of national electric energy production (produced from brown coal extracted in a nearby mine, which supplies 30 per cent of national brown coal extraction) and a site of a aluminium plant. Piła – a centre of electronic industry (Phillips);
- agriculture of the region is of the highest national efficiency. Since centuries yields in Wielkopolska were much higher than elsewhere on Polish territory. Leszno is the centre of the best Polish agriculture, with well organised medium-sized private farms (20- to 50 hectares), well equipped with machinery and skilfully run. Average yields of the main crops in the Leszno region are as follows: wheat – 4.2 tons per hectare; sugar beets – 43 tons per hectare; potatoes – 22 tons per hectare (similar quantities are harvested in Poznań region, as well).

The following table 4 presents the employment structure in the main subregional units of Wielkopolska.

Table 4. Employment structure in Wielkopolska, 1995

Regions	Agriculture	Mining, energy, water	Manufacturing	Construction	Services		Unemployment rate (1996)
					market	social	
Poland	27.0	4.2	20.7	5.5	27.3	15.2	13.3
Kalisz	34.4	1.4	25.8	4.1	22.5	11.8	14.9
Konin	41.7	8.2	13.6	4.3	20.6	11.5	17.3
Leszno	34.3	1.2	23.3	4.2	23.8	13.2	12.0
Piła	26.1	1.4	25.3	5.0	26.4	15.9	17.0
Poznań	14.4	1.8	28.4	6.6	32.4	16.3	6.2

The location advantage of the region has been acknowledged by foreign investors. Poznań region has the second largest (after Warsaw) concentration of foreign direct investment. In the city of Poznań some 2 billion US-\$ have been invested after 1990, while in the small locality of Tarnowo Podgórne, neighbouring the western boundary of Poznań almost 1 billion US-\$ have been invested. In more than one third of local units of the region there are firms with foreign capital – twice as much as in the central and eastern parts of the country.

The rural municipality of Tarnowo Podgórne has seen a concentration of foreign investment unmet anywhere else in Poland (with the exception of the largest cities). This has been achieved through the extremely efficient exploitation of one of the most favourable location advantages of the country. The authorities of this rural township have shown how it is possible to combine aid for local business and activity aimed at attracting foreign investors, thus strengthening local economic networks.

For foreign investors the municipality of Tarnowo Podgórne is the most attractive municipality in Wielkopolska. Thanks to the efforts of local authorities, the municipality has attracted such large firms as Stollwerck, Reemtsma, Coca-Cola Amatil, MAN, Union Coffee Confectionery Group BV, or SHV Macro N.V. Due to the vicinity of a large number of potential customers and convenient access roads, trading centres with many firms offering a wide range of goods are being established. Their location on the main route facilitates the transportation of goods manufactured in the area⁸.

The transformation process went relatively "softly" in Wielkopolska. Pozna followed the path of other great agglomerations in Poland and was able to take advantage of its metropolitan character and richness of institutional, scientific and cultural fabric. Manufacturing underwent restructuring processes, which were eased by the lack of domination of huge enterprises, inherited from the socialist era – medium-sized and small firms were much more capable to adapt to the new conditions of market economy than the large industrial plants often ruled by the demanding working class (over 70 per cent of employed work in establishments under 500 employees). The heavy industry of the region – Konin brown coal mine and electric energy plant – remained profitable, since energy production from brown coal is still much cheaper than from black coal. The agricultural areas (with a small exception of the northern part of the region near Pi a) were spared by the painful process of collapse and long restructuring of the state farms, and private farms were able to maintain their economic efficiency and ability to adapt to changing market conditions.

For the most part the (relatively) better situation in the Wielkopolska region may be attributed to its long experience in local self-government, which currently translates to a better efficiency of local governments in the region. The already mentioned Tarnowo Podgórne is an example of a locality which fully utilised its location advantage. There are several other cases of localities which achieved unquestionable local success. Local self-governments in Wielkopolska are more affluent and they invest almost two times as much as the local governments in the central and eastern parts of the country. All indicators demonstrate that local governments in the Western and Northern Territories and Wielkopolska are much more active and innovative than their counterparts in the rest of the country. For example over half of them maintain foreign contacts (only less than 20 per cent do so in the eastern and central part of Poland) and in 60 per cent of localities a newspaper is being published (only in one third in the east and the centre of the country). This situation will increase the regional differences within the country.

⁸ G.Gorzelaek, B.Ja owiecki, R.Woodward, W.Dziemianowicz, W.Roszkowski, T.Zarycki: *Dynamics and Factors of Local Success in Poland*, Report for the UNDP, CASE-EUROREG, Warsaw 1998.

The picture of Wielkopolska should not be misinterpreted. There are several obstacles on the path of the region to prosperity and uninterrupted economic growth. This is the region with acute shortages of water, which may hamper its agriculture. The road network, though relatively well developed, is of poor quality. Especially, the main East-West route A2 does not meet the requirements of modern international transport – it takes for example over 1 hour to pass Poznań which lacks an appropriate by-pass. Regional economy (in all sectors) is still much weaker and less innovative than in the more developed countries of Western Europe. The strength of Wielkopolska region is of more relative character – in comparison to other Polish regions – than in absolute dimensions on the global scale.

However, even taking these reservations into consideration, one has to admit that in relation to other Polish (as well as to other East-Central European) regions the potential of Wielkopolska is promising. Four factors seem to be of crucial importance:

- a diversified economic and institutional structure with qualitative features as important as quantitative ones;
- a well developed settlement system with a leading centre of international importance in Poznań, several subregional and local centres that well serve their population and the inhabitants of the countryside;
- well developed social, educational and cultural institutions that base on rich traditions of civil society and self-government;
- location advantages – proximity to Germany and to other European Union countries, importance of East-West routes crossing the region.

Wielkopolska region will undoubtedly maintain its leading position in the catch-up process of Poland. The economic transformation will be less spectacular than in the capital city of Warsaw and will be more evenly distributed on the territory of this region. Acquiring new responsibilities under the new decentralised structure of public administration will enhance the endogenous potential of the region and its localities which will accelerate dynamic economic processes.

6. Regional capacity building: the unsuccessful case - Upper Silesia

Upper Silesia, located in mid-South of Poland, now divided between the Katowice and Opole voivodships in the mid-South of Poland,⁹ is a territorial unit where all most important dimensions – cultural, social, political, ethnic

⁹ Since most of the economic problems are concentrated in the Katowice administrative region, further considerations will refer to this part of Upper Silesia only. It should be kept in mind that since 1 January 1999 – as a result of the administrative territorial reform – the Katowice voivodship will be slightly larger than the present one. Its population will equal to almost 5 million and its area will occupy 3.8 per cent of the area of Poland. All statistical data presented here refer to the administrative structure of 1998.

(some would even say: national), economic and ecological – are tight-up in a very complex and intensive way¹⁰.

The region contains the greatest conurbation in Poland – its biggest city, Katowice, has 350 thousand inhabitants, then comes Sosnowiec (250 thousand), Bytom (225 thousand), Gliwice (215 thousand) and Zabrze (200 thousand). There are another 8 cities with a population over 100 thousand. The total population of the Katowice voivodship amounts to almost 4 million; 87 per cent of the population living in towns. The region occupies 2 per cent of the country's area.

Industrialisation of the region began in the first years of the 19th century. With short breaks it has proceeded for almost two centuries. By the end of the 19th century Upper Silesia became one of Europe's biggest concentrations of coal mining and steel production. Industrial growth accelerated after World War Two, when Upper Silesia followed the path of the Soviet-style socialist rapid industrialisation – in spite of the fact that already in 1953 the Polish government passed a resolution to de-concentrate the region's industry. As late as in 1975 the *Huta Katowice* (Katowice Steel Mill) was constructed east of the city of Katowice. By the end of the 20th century, the region is one of Europe's biggest problem regions. Table 5 presents the history of steel production and coal mining in Upper Silesia in comparison to two other European steel-and-coal basins: the German Ruhr and Donbass in Ukraine.

The table reveals that at the end of the socialist era the industrial structure of the Ruhr was some 20 to 30 years more mature than the structure of Upper Silesia, which in turn is some 10 years ahead of the structure of Donbass.

¹⁰ See: A.Cybula: Regional Policy-making and Institution-Building under Unfavourable Conditions. The case of the Katowice voivodship, Poland, Katowice 1998 (mimeo); M.Szczepański, Janus w aglomeracji. Restrukturyzacja województwa katowickiego - dlaczego się nie udało i co robić, aby się udało? (Janus in agglomeration. Regional restructuring - why it did not succeed and what should be done to achieve a success?) in: G.Gorzelałak (ed.) *Przemiany polskiej przestrzeni* (Changes of Polish Space), EUROREG, Warszawa 1997; K.Wódcz (ed.) *Transformation of Old Industrial Regions as a Sociological Problem*, Katowice 1994.

Table 5. Donbass - Upper Silesia - The Ruhr: growth and decline of an industrial region

Features	Donbass	Upper Silesia	The Ruhr
Area, thousands of square kilometers	33.0	5.0	6.2
Per cent of country's area	5.8	1.6	1.7
Population, millions	7.0	3.9	9.5
Per cent of country's population	13.6	10.7	12.2
The greatest extraction of coal, million tons, and time when it happened	185 end of 1960s	200 end of 1970s	145 end of 1950s
The greatest production of steel, million tons, and time when it happened	25 mid-1980s	10 end of 1970s	30 beginning of 1950s
Employment in industry per 1000 population	mid-1960s 220	255	270
	mid-1980s 215	240	200
Coal miners and steel workers as per cent of industrial employment:			
1970	48	58	42
1985	45	59	35

Source: B.Ja owiecki, *Polityka restrukturyzacji regionów - do wiadczenia europejskie* (Policy of Regional Restructuring - European Experience), EUROREG, Warszawa, 1993; quoted after: T.G.Nefedova, V.Streletcky, A.Treivish: La Ruhr, la Haute Silesie et le Donbass dans la trajectoire historique de villes et regions industrielles europeenes du charbon et de l'acier (The Ruhr, Upper Silesia and Dobass in the historical trajectories of European regions and cities of coal and steel), *Revue Belge de Geographie*, vol. 1-4, 1992.

Throughout the whole socialist period Upper Silesia consumed some 25 per cent of national investment in industry and provided some 22 per cent of national industrial output. In the years 1986, 1992 and 1995 it provided 11.8, 12.1 and 12.8 per cent of the national GDP (factor costs), respectively.

According to the socialist propaganda before 1989, coal – "the black gold" – was the main source of Polish wealth and the major national pride. It was also the main source of hard currencies, which were extremely rare and demanded in the socialist part of the world. The black coal production throughout the post-war period was the following (the highest coal extraction occurred in 1979 – 201 million tons, over 97 per cent of Polish coal came from the Katowice region):

Table 6. Dynamics of extraction of black coal in Poland in the post-war period, million tons

Years	1945	1950	1960	1970	1980	1990	1991	1992	1993	1994	1995	1996	1997
Coal production	47	78	104	140	193	148	140	132	130	134	137	138	139

No surprise therefore that the coal miners were accustomed to be the cream of the cream of the Polish working class. In the economy of shortage, troubled by empty shelves in shops, they enjoyed access to imported goods that they could afford, since the prices were relatively low and their wages relatively high. These privileges enhanced the traditional pride of the miners, who were able to support their families and who could not imagine that their sons would not follow the multi-generational tradition of being a miner.

In 1989, there were 520 state-owned industrial enterprises in the (small) region, that is about 10 per cent of the national stock, including 65 hard coal mines, 13 power stations and 19 iron works. In addition, 255 construction enterprises operated in the region as well as 82 agricultural enterprises, including 20 state farms. There were also 45 foreign companies and 34,834 small, mostly family businesses. 1.3 million people were employed in the public sector of the economy, including: 780 thousand in industry (17 per cent of the employed in Poland); 110 thousand in the construction industry (15.6 per cent); 60 thousand in transport (9.1 per cent), 14 thousand in communications (8 per cent), and 45 thousand in trade (19.8 per cent). In the same year, only 256 thousand were employed in the private sector (4.1 per cent of the total number of employees in this sector in Poland), including 90 thousand in industry (11 per cent); and 40 thousand in the construction industry (12,3%).

97.6 per cent of hard coal was mined here, almost 50 per cent of all cars manufactured in Poland, over 56 per cent of steel; 53 per cent of rolled products and 100 per cent of tin and lead. 25 per cent of the domestic product and 20 per cent of all Polish goods exported abroad were produced in the voivodship.

In the years 1989-1990, the educational capital of the employees in the voivodship's economy was poor and did not meet the requirements of a modern economy. The level of formal qualifications of the employees, measured by their level of education, was low. In 1989, 2 per cent of the inhabitants had incomplete elementary education, 36 per cent – elementary education; 31 per cent – basic secondary vocational education, 25 per cent – secondary, and only 6 per cent – higher (university-level) education. Since then this structure has not changed much. The Katowice voivodship was ranked 32nd (among 49 Polish regions) according to the share of people with higher education in the total number of the employees, and according to the share with post-secondary and secondary vocational education it occupied the 48th position – second to last among all Polish regions.

In the same period, the voivodship's economy emitted 742 pollutants, while 240 industrial plants were regarded as ecologically hazardous. People lived and worked in this deteriorated natural environment, suffering the consequences of this difficult situation. In 1990, it was estimated that one million people daily were in places of greatest hazard, in which ecological norms were breached. In recent years, starting from the end of 1991, the ecological situation of the voivodship has not deteriorated. A state of stability has been reached; in some cases, e.g. dust emission, the situation has considerably improved.

The region was therefore a typical coal-and-steel industrial region, with biased social and education structures, a heavily polluted environment and an infrastructure relatively well developed, but heavily worn down. In 1990 it appeared that even the greatest efforts undertaken by the region's population and local communities would not be effective without external economic and political support. Thus, the problems of the Katowice region became a matter of interest for the whole state, and the success of the regional transformation was regarded as one of the prerequisites for the success of Polish political and economic reform and the fulfilment of Poland's aspirations to join the European Union.

Initiated in the years 1989-1990, the process of systemic transformation directly affected the changes of the Katowice voivodship in at least four dimensions: economic, ecological, social and spatial ones. The most symptomatic sign of the transformation was the slow, yet continuous privatisation of state-owned enterprises on the one hand, and the collapse of the most ecologically hazardous and least productive plants on the other hand. The past few years have seen a considerable decrease of the share of employment in the public sector (from 76 per cent in 1990 to 58 per cent in 1994 and 56 per cent in 1995, to fall further down in 1996 and 1997), with the simultaneous proportional increase of employment in the private sector.

A constant decline in industrial employment took place (see table 7). This decline was, however, slower than the changes in the national industry. Privatisation was even weaker, since the industries dominating in the region are much less privatisation-inclined than other sectors of the economy: in 1996 65 per cent of national employment was located in the private sector, while this share in the Katowice region equalled to 48 per cent; in the same year over 52 of the national industrial production came from the private sector, and in the Katowice region this share was only 26 per cent.

Table 7. Employment in the Katowice region, 1988-1996

Years	Total employment		Employment in industry		Employment in coal mining, in thousands
	in thousands	as per cent of Poland	in thousands	as per cent of Poland	
1988	1,819.3	9.9	857.9	16.6	.
1990	1,631.2	9.9	762.7	17.3	380.8
1991	1,588.8	10.0	707.2	17.6	342.0
1992	1,595.7	10.3	716.1	18.4	325.3
1993	1,527.6	10.3	647.0	18.0	307.8
1994	1,482.7	9.9	634.1	17.1	285.7
1995	1,512.7	8.4	623.5	16.7	269.3
1996	1,512.1	9.8	608.7	16.2	256.1

Unemployment in the region is low – it is around two-thirds of the national average (the unemployment rate dropped to 6.4 per cent in 1997).

Poland only needs less than 100 million tons of coal and demand declines due to rationalisation of energy consumption and shift to other sources of energy (mostly natural gas and oil). Polish coal is too expensive – the cost of extraction of 1 ton grew from 19 USD in 1990 to over 41 USD in 1996, which made Polish coal uncompetitive on domestic and international markets. In order to find use for the extracted coal the state subsidises exports, and recently has limited imports of better and cheaper Siberian coal, of which over 5 million tons were imported in 1997 by private importers from the Kaliningrad region.

The slower than economically justified decline of industrial employment in the Katowice region is due to the political power of the working class and its trade union representation. The political power of the region comes from at least three sources:

- demographic potential, directly translated into election results;
- concentration of large numbers of workers in a small territory, which forms a strong basis for political mobilisation;
- energy blackmail, which can become pretty dangerous in the middle of a cold winter.

The workers naturally oppose industrial restructuring. Due to the lack of an alternative labour market, and the lingering conviction of the civilizational role of the extraction industry, the restructuring of the Katowice voivodship and its economy has not been fast enough – it did not undergo the closing-down strategy, which has been the case in other industrial regions, where the political power of the miners and steel workers was much weaker than in Upper Silesia.

The high dependency of the national economy on hard coal extracted in Silesian mines (around 60 per cent of energy consumption in Poland come from coal extracted in the Silesian mines) is perhaps the most important factor delaying the restructuring process. If this state of dependency persists, the mining lobby will be able to block or slow down any changes in the mining sector. Undermining the economic, and thus the political, significance of the Silesian coal can be effected by means of complex measures, aimed at replacing coal with other energy carriers. The restructuring of Upper Silesia is conditional upon the implementation of an energy conservation programme; the development of transmission networks and the capacity for storing other fuels (e.g. gas, oil); obtaining energy from renewable sources (e.g. water, wind); adapting furnaces to other fuels (e.g. gas, oil); construction of coal unloading facilities in the Polish seaports, which will allow to import coal etc. – that is, activities undertaken throughout the country.

There have been some attempts to accelerate the restructuring process. For example, a special "contract" of the government and the regional authorities was made, in which the state committed itself to support efforts aiming at creating new structures and institutions outside of the traditional economic sectors. The funds transferred to the region for the creation of "new structures"

were however some 100 times smaller than the funds paid for maintaining "old structures" (this was done by letting coal mines indebt themselves and delay – in fact forever – due taxes and social security payments). Consecutive governments have been putting forward more or less appealing programmes of reducing both production and employment. However, regional trade unions have firmly precluded radical, but inevitable solutions; they have rejected all forms of lay-offs, lowering of subsidies, and prompt closing down of unprofitable coal mines.

All restructuring programmes for the Katowice region have assumed that a precondition for most undertakings is creating new jobs for the workers who would be laid off by closed enterprises or those reducing their production, which must precede limiting production in the declining sectors. However, this assumption appears to be incorrect. The example of the Katowice region proves that the activity of the declining sectors should be definitely reduced before the restructuring process is started. This is indispensable for reconstructing the infrastructure, diminishing the ecological hazards (also outside of the voivodship boundaries), diversifying economic and vocational qualification structures, restoring the cities and towns of the region etc. The still excessive burden of traditional, declining industrial structures is a factor deterring potential investors and highly qualified staff, for whom the quality of natural and cultural environment is increasingly becoming a significant component of location criteria. Only after the completion of the process of reducing the traditional sector, restoring the post-industrial landscape, redeveloping post-industrial areas and preparing the technical and social structures to develop new manufacturing sectors which may replace the existing ones, accelerated economic growth in the region can be expected.

This argumentation should not be set against the observation that in the recent years a relatively modern industrial sector has flourished in the Katowice voivodship (for example, Opel located its central European plant in Gliwice; Isuzu will produce motor engines in Tychy; several other foreign investors also have invested in the region). This process is due to the still relatively cheap labour force in Poland, absorptive domestic markets and the region's location advantage over those Polish regions which have so far been underinvested. Such a tendency, if continued, will soon encounter many barriers in the Katowice region, such as a lack of available areas, overburdened infrastructure, a lack of skilled labour force and resistance to localise business in an unesthetic post-industrial landscape, which will lower the international location attractiveness of the region. Prolonged co-existence of the traditional and the relatively modern sectors will lead to the strengthening of the duality of the region's economy. It will entail increased squandering of funds allocated to sustaining those enterprises which are at any rate bound to collapse, instead of allocating those funds to active sectoral and regional restructuring efforts.

The most recent programme, formulated in 1998, assumes that until 2001 the coal production will drop to 112 million tons (which is still more than domestic demand) and the employment in coal mining industry will drop by 70-100 thousand since the least profitable mines will be closed down, while the

average cost of 1 ton has to go down to some 25 USD, to make Polish coal profitable on European markets (where a ton of coal costs 30-32 USD).

This programme entails heavy payments for miners who leave their jobs. The following payment schedule has been prepared:

Table 8. Costs of coal-mining restructuring in Poland, million PLN

Actions	1998	1999	2000	2001	2002	1998-2002
Closing down coal mines	211	413	462	225	178	1487
Restructuring employment	505	1044	1017	812	947	4325
Land recultivation	28	35	35	35	35	168
Pension supplements	0	250	250	250	250	1000
Job creation	0	50	50	50	50	200
Total	744	1792	1814	1372	1458	7180

1 USD=4 PLN

To the indicated cost of 7.18 billion z łoty another 7.5 billion will be spent on paying the debts of Polish coal mines. Altogether, during next four years the Polish economy should devote over 4 billion USD to the restructuring of Silesian coal mining. It should be noticed that the programme is mostly socially oriented and it contains little (if any at all) activities oriented to the future, like urban revitalisation, landscape improvement and infrastructure modernisation etc.

This programme is still under discussion and several miners' trade unions reject it. However, perhaps this programme, which in fact privileges the restructuring of only one sector, has some chances of being implemented – at the cost, but also to the benefit, of the entire Polish economy.

The restructuring of coal mining and of steel production – which would take place parallel to the restructuring of other obsolete economic sectors in the region – will have a deep impact on all inhabitants. The entire population of the Katowice voivodship is facing crucial civilizational challenges.

Conclusions

The two Polish regional cases, discussed briefly in this report, lead to the following conclusions:

1. There are no grounds to project convergent trajectories of particular Polish regions in the next decade¹¹. On the contrary, along the global competition

¹¹ This thesis refers also to other Central and Eastern European regions, see G.Gorzelaak, B.Ja owiecki, A.Kukli ski. L.Zienkowski: *Eastern and Central Europe 2000. Final Report*, CEC, DG XII, Luxembourg, 1995.

principles, these regions will develop according to divergent patterns. The strong will become stronger, the weak will become weaker. A complex of factors will be responsible for this divergence: location, economic structures, social structures, institutional structures, R&D as well as academic potential etc. In general, the East-West dimension will be mostly responsible for this divergence: western territories of all Eastern and Central European countries (Czech and Slovak republics, Hungary, former Yugoslavia, Poland) have been better developed and nowadays development impulses also come from the West (European integration in the form of accession of post-socialist countries to the European Union being the most important manifestation of this process).

2. The international dimension begins to play a crucial role for the Polish economy and in shaping the regional trajectories. Only those regions which will be able to meet the challenges of world-wide competition for capital and innovative economic activities will be able to look into the future with some hope. This will be the privilege of very few Polish regions: Wielkopolska will be in this group and Silesia has to earn this memberships through sacrifice and painful process of adaptation.

3. Economic structures are obviously important – but equally important are the social structures, values and attitudes. The attachment to past professional affiliation of miners and to their previous political and economic position appears to be the biggest obstacle to a structural change of these regions – a change which must happen, with or without consent of the citizens affected by it. The later the restructuring process embraces the Silesian economy and society – the more costly and the more painful it will be. The adaptability and flexibility – and the lack of any extraordinary political strength – of the societies of Wielkopolska speed up the restructuring process of this region.

4. The very existence of institutions and mechanisms of civil society appears to be the most important feature of the social process. Long traditions of civil institutions (self-government, mutual assistance organisations, neighbourhood associations etc.) enable the Wielkopolska region to produce competitive economy and efficient institutions. These are the "outward" oriented entities – as opposed to "inward" oriented ethnic and trade associations dominating the social scene in Upper Silesia. These civil institutions are more inclined to defensive attitudes and actions (defending ethnic groups, or supporting the interests of industrial branches) than the open institutions of Wielkopolska.

5. The role of individual entrepreneurs for regional development should not be undervalued. The Upper Silesian case demonstrates the dominance of large industrial enterprises which display lethargy in adapting to the new conditions of the global market. In comparison, the numerous entrepreneurs in Wielkopolska are more flexible and create more dense networks of economic and technological territorial interrelations, which produce more adaptive and innovative local and regional milieus (though still far less innovative than in more developed countries) for modern patterns of development.

In the decentralised, open socio-economic system the powers of national regional policies become more limited. These policies should, on the one hand,

assist the most innovative and progressive regions and localities in their efforts to win the competition, and, on the other hand, ease the negative effect of losing the competition in the lagging regions and localities. The policies should not undertake impossible and unrealistic tasks, like reversing the long lasting trends of regional development. As long world-wide experience proves – Mezzogiorno, Central Appalachia could be the best examples here – in general the relative position of a backward, peripheral region is very difficult to be positively changed by national or even international regional policies. The situation of such regions may be substantially improved only if megatrends, like north-south shift, influence these regions, and the regions themselves must be well prepared to accommodate the inflow of capital and new technologies (the southern states of the USA could be the best examples for this process). The regional policies should therefore adopt a necessary dose of modesty and the main bulk of powers should be transmitted to the regional and local governments which should know best how to cope with global challenges.

