

Selected Problems of Development
of Polish Regions
in the Perspective of 2020

THE JOHN PAUL II CATHOLIC UNIVERSITY OF LUBLIN

INSTITUTE OF POLITICAL SCIENCE
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Selected Problems of Development of Polish Regions in the Perspective of 2020

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Preface

Polish accession to the European Union in 2004 substantially influenced the socio-economic development of the country and its regions. It happened mainly due to the adoption and implementation of guidelines of the Community's Cohesion Policy by Poland, which combined with powerful financial aid coming from the EU Structural Funds radically changed the perspective of the development of Poland and determined the directions of development of its regions for the next decades.

One of the fundamental objectives of the Community's Cohesion Policy is to reduce development disparities within the European Union, which involves supporting underdeveloped regions of the Community. Among Polish regions only in Mazovian Province the level of development (GDP per capita) is above the EU average. Due to this situation Polish authorities must consistently pursue regional policy directed at supporting the development of the innovative knowledge-based economy in the regions. The European Union's Structural Funds are the basis for these activities. In each multiannual budget the Community reserves resources devoted to supporting the development of regions, especially regions lagging behind, and prepares special assistance programs for this purpose. In Polish conditions the implementation of the Community's Cohesion Policy encounters numerous obstacles. One of them is the need to secure own contribution by regional and local authorities for the planned development investments co-financed by the European Union. In

addition, regional Operational Programmes require good preparation, as they should take into account the changing conditions of regional development, the needs of local governments and facilitate the solution of specific problems of the regions. These problems are connected with different areas of functioning of society and economy, and are usually of fundamental importance for the development of regions and individual local government units. Planning of the development of a region in the conditions created by globalization is an extremely difficult task and requires the involvement of both public authorities and numerous actors in the private sphere, including business entities. As far as the actions of the authorities of regional governments are concerned, today they have a particularly important duty to create, within their powers and capabilities, the conditions for optimal development of the region, especially the conditions for the development of the innovative and competitive regional economy based on knowledge. Due to Polish integration with the European Union and support for the development of Polish regions by the Community's Structural Funds, national regional policy today is based primarily on the efficient use of EU aid funds, which exposes it, and consequently also the regions to – in a sense – a unilateral approach to the problems of socio-economic development. Contemporary changes of the social and economic sphere, related, among others to the development of the information society, ICTs and the transformation of the modern economy and the construction of the Knowledge-based Economy show that such directions of national regional policy may not be sufficient given the direction of evolution of the Community's Cohesion Policy and the fact that with the passage of time and the rise in the level of development of Polish regions, structural support for them will be gradually discontinued. Therefore, postulates coming from both the academic as well as the economic environment, calling for taking into account such a model of regional policy which will go beyond the framework established by Cohesion Policy and Structural Funds, not rejecting, of course, the support system applied currently by the European Union. Everything points to the fact that Polish regions in the near future will have to seek their own individual ways of development within the

so-called smart specialization. At the moment, in the case of Poland, Cohesion Policy and Structural Funds of the European Union are an absolute basis for the implementation of national regional policy and a foundation for the implementation of regional development strategies. As shown by the Regional Operational Programmes from 2004-2006, 2007-2013 and new Operational Programmes prepared for 2014-2020, key importance when planning the development of Polish regions is attached to such preparation of Operational Programmes that they take account of the real developmental needs of Polish regions to the greatest possible extent. Operational Programmes are the basis of the system of distribution of Community aid resources. Their priorities and operational goals, as well as the precision of provisions contained in these documents largely condition the successful acquisition and effective use of the Structural Funds of the European Union by regional governments, thus solving various local development problems and at the same time funding investments indispensable for the society and the regional economy.

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Continuation and Change: Regulations of European Territorial Cooperation for the Years 2014–2020

Abstract

The current Territorial Agenda 2020 (TA 2020) is a successor of the Territorial Agenda of 2007 which, in turn, strongly referred to the European Spatial Development Perspective from 1999. Since there is a significant connection of the current agenda with its predecessor, on the basis of the analysis of actions and results, many experts claim that it has become necessary to reorient the EU cohesion policy. In practice, this means the necessity to change the paradigm of the development policy from compensatory to polarization and diffusion, and thus the reorientation of the objectives of closing the gap to obtaining benefits from the existence of diversity. It is also necessary to shape spatial planning in such a way which will create opportunities for the occurrence and development of functional relationships. Author of the study attempts to show that the TA2020 specifies a new approach to the EU territorial cohesion policy. It recommends a more strategic approach which requires many institutional adjustments and in the process of coordination and integration of EU policies. The TA2020, which essentially has intergovernmental and informal nature, cannot provide a sufficiently detailed, specialized and strong basis for such an ambitious project of achieving EU territorial cohesion. A major challenge, as the author demonstrates, is to coordinate and integrate the territorial Cohesion Policy with other EU policies, especially those that have a clear spatial dimension.

Key words: European territorial cooperation, European grouping of territorial cooperation, territorial cohesion, European Union

Introduction

International cooperation of sub-state territorial units (municipalities, cities, regions), implemented in Europe for many years, was first supported financially by the European Commission (EC) in 1989 – at the beginning tentatively under art. 10 of the European Regional Development Fund (ERDF), and since 1990 as part of the next editions of the Community Initiative INTERREG.¹ But only since 2007 European Territorial Cooperation (ETC) has been introduced as one of the three objectives of Cohesion Policy of the European Union (EU).² Singling out of the ETC objective should be regarded as the appreciation of the importance of the territorial aspect of the EU cohesion.³ The rationale for such positioning of European territorial cooperation were two main issues arising from the adoption of ten new members in 2004, and another two in 2007. Firstly, increasing the number of land and maritime borders of the European Union. Secondly, the extension of its territory.⁴ One should also take into account lobbying activities undertaken by sub-state territorial units and their networks in order to strengthen their role in the activities of the Union.⁵

The “European territorial cooperation” objective has been defined as support for three types of interaction: (1) the cross-border

¹ The first edition was carried out in 1990–1994, the second – 1994–1999, and the third – 2000–2006.

² In addition to convergence, regional competitiveness and employment.

³ Territorial cohesion was added to economic and social cohesion in the Treaty of Lisbon.

⁴ The fourth recital of the Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999, EU OJ L 210, 31.07.2006 [hereinafter referred to as Regulation 1083/2006].

⁵ More in: H. Dumala, *Europejski lobbying transnarodowych sieci terytorialnych*, [In:] M. Pietraś, H. Dumala, B. Surmacz, A.W. Ziętek (eds.) *Teoria i praktyka stosunków międzynarodowych. Dziedzictwo intelektualne Profesora Ziemowita Jacka Pietrasia*, Lublin: Wydawnictwo UMCS 2014, p. 491–503.

one, involving the joint local and regional initiatives, (2) the transnational one, meaning actions conducive to integrated territorial development connected with EU priorities, and (3) the interregional one, that is, the exchange of experiences at the “appropriate territorial level”.⁶ The support is provided by the ERDF.

The legislative package for Cohesion Policy in the new financial perspective (2014–2020) consists of a total of six regulations, three of which have direct reference to European territorial cooperation:

Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common 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 and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006. [hereinafter referred to as Regulation 1303/2013];

Regulation (EU) No 1299/2013 of the European Parliament and of the Council of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal. [hereinafter referred to as Regulation 1299/2013];

Regulation (EU) No 1302/2013 of the European Parliament and of the Council of 17 December 2013 amending Regulation (EC) No 1082/2006 on a European grouping of territorial cooperation (EGTC) as regards the clarification, simplification and improvement of the establishment and functioning of such groupings [hereinafter referred to as Regulation 1302/2013].⁷

⁶ Art. 3 paragraph 2 point c) of the Regulation 1083/2006. In the Community initiative INTERREG there also appeared the three mentioned components (as paths A, B and C).

⁷ The remaining three specific regulations concern the ERDF (support for “the Investment for growth and jobs goal”– Regulation 1301/2013), the European Social Fund (Regulation 1304/2013) and the Cohesion Fund (Regulation

Starting the preparation of the package, the experience gained in implementing the previous Cohesion Policy operational programmes and conclusions resulting from the fifth report on economic, social and territorial cohesion published in 2010 were taken into account. Moreover, consultations with stakeholders – the Member States, local and regional authorities as well as social and economic partners – were carried out.⁸ As a result, the legal basis for ETC, which remained one of the two objectives of this policy (the other is “Investing for Growth and Employment”, supported by all the Cohesion Policy funds), contains both repetitions from earlier legal acts, as well as various types of modifications and new solutions. The idea that the European Commission was guided by was the desire to simplify the rules and procedures for all parties involved in ETC: direct beneficiaries, operational programmes institutions, institutions of the Member States and third countries, and the Commission itself.⁹ On the other hand, the proposed changes are intended to increase the effectiveness of cohesion policy.

1300/2013). All the mentioned legal acts were published in “Official Journal of the European Union” L 347 of 20 December 2013.

⁸ Public consultations took place in late 2010 and early 2011. 444 opinions were received. See explanatory memorandum of the *Proposal for the Regulation (EU) No 1299/2013 of the European Parliament and of the Council on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal*, Brussels, 14.3.2012, COM(2011) 611 final/2. Separate consultations – in cooperation with the Committee of the Regions – were also conducted on the European Grouping of Territorial Cooperation. See explanatory memorandum of the *Proposal for the Regulation (EU) No 1302/2013 of the European Parliament and of the Council of 17 December 2013 amending Regulation (EC) No 1082/2006 on a European grouping of territorial cooperation (EGTC) as regards the clarification, simplification and improvement of the establishment and functioning of such groupings*, Brussels, 14.3.2012, COM(2011) 610 final/2.

⁹ The third recital of the Proposal, COM(2011) 611 final, op. cit.

1. Regulations on the European territorial cooperation objective

The adopted solution in terms of specific regulations of the European Parliament and the Council clearly indicates a change in the approach of the European Union to ETC. The previous Regulation (1080/2006) defined the tasks of the ERDF and the scope of its support in the framework of all three earlier objectives of cohesion policy. In the new financial perspective, it was concluded that each of the two newly designated objectives requires distinct specific solutions, and therefore two Regulations, 1299/2013 and 1301/2013, were adopted. The main argument was the “multi-national context” of ETC programmes and their international specificity.¹⁰ As a result, the Regulation 1299/2013 of 17 December 2013 refers only to “European territorial cooperation” and regulates: (1) subject matter and scope, (2) thematic concentration and investment priorities, (3) programming, (4) monitoring and evaluation, (5) eligibility, (6) management, control and designation of institutions, (7) participation of third countries, and (8) financial management.

The value of the funds earmarked for “European territorial cooperation” was set at the level of 2.75% of the total Structural Funds. As far as the percentage is concerned it is a minimum increase in the pool – by 0.23 percentage points (from 2.52%), the absolute amount of support, however, increased significantly – from approx. 7.5 billion to nearly 9 billion euro.¹¹ The basic structure of the objective, which still consists of three types of cooperation: cross-border, transnational and interregional, did not change. The breakdown relationship between the different components was maintained: a focus on the cross-border component, the second position for the transnational component and the third for the interregional component (see Table 1).

¹⁰ Ibid., p. 6.

¹¹ The European Parliament called for the increase of resources for ETC to at least 7%. Point four of the European Parliament resolution of 23 June 2011 on Objective 3: a challenge for territorial cooperation – the future agenda for cross-border, transnational and interregional cooperation (2010/2155(INI).

Table 1. The distribution of funds among various components of ETC

Component	Years 2007–2013		Years 2014–2020	
	%	Amount in euro*	%	Amount in euro**
Cross-border	73,86	5 576 358 149	74,05	6 626 631 760
Transnational	20,95	1 581 720 322	20,36	1 821 627 570
Interregional	5,19	392 002 991	5,59	500 000 000
Total	100	7 550 081 462	100	8 948 259 330

* prices from 2004.; ** prices from 2011.

Source: Art. 21 of the Regulation 1083/2006 and art. 4 of Regulation 1299/2013.

The general rules for determining the geographical coverage of the individual components of ETC were maintained. In the case of cross-border cooperation, the support covers EU regions at NUTS level 3 along all internal borders and these external land borders which are not covered by programmes under the external financial instruments of the Union (the European Neighbourhood Instrument and the Instrument for Pre-Accession Assistance II.) The support also applies to regions located along maritime borders separated by no more than 150 km¹², and in the case of the so-called outermost regions even more than 150 km¹³ (Art. 3 of the Regulation 1299/2013). A novelty, however, is clear mentioning of regions / countries which are not members of the Union, which may be covered by cross-border cooperation programmes. It applies to regions of Norway and Switzerland as well as Liechtenstein, Andorra, Monaco and San Marino and third countries or territories adjacent to the outermost regions, corresponding to regions at NUTS level 3.

¹² The Committee of the Regions proposed to increase this distance even up to 300 km. Amendment No. 1 of Opinion of the Committee of the Regions “*Proposal for a Regulation on European territorial cooperation*”, EU OJ C 277, 13.9.2012.

¹³ This requires a request by the concerned Member State(s).

With regard to transnational cooperation, the list of regions that can be covered by operational programmes was extended additionally by Faroe Islands and Greenland, and the regions in third countries covered by the EU's external financial instruments. In this case, both the region within the Union and the external ones must correspond to the level of NUTS 2.¹⁴ In the case of inter-regional cooperation, the support covering the whole EU, which is currently 28 countries, remains and the possibility to cover the above mentioned third countries and territories with programmes was introduced.

In the regulations for 2014–2020, two-stage allocation of funds for the two cross-border and transnational ETC components was clearly defined. In the first stage, the Commission shall communicate to each Member State its share of the global allocated amounts, granted on the basis of the criterion of population in the areas of co-operation¹⁵, and then the Member State decides on the final break-

¹⁴ See *Commission Implementing Decision of 16 June 2014 setting up the list of regions and areas eligible for funding from the European Regional Development Fund under cross-border and transnational components of the European territorial cooperation goal for the period 2014 to 2020*, Document no. C(2014) 3898, EU OJ L 183, 24.6.2014.

¹⁵ The annual breakdown of global resources among the Member States is contained in Annexes: II (the whole objective “European territorial cooperation”), XIV (cross-border cooperation), XV (transnational cooperation) and XVI (interregional cooperation). *Commission Implementing Decision of 3 April 2014 setting out the annual breakdown by Member State of global resources for the European Regional Development Fund, the European Social Fund and the Cohesion Fund under the Investment for growth and jobs goal and the European territorial cooperation goal, the annual breakdown by Member State of resources from the specific allocation for the Youth Employment Initiative together with the list of eligible regions, and the amounts to be transferred from each Member State's Cohesion Fund and Structural Funds allocations to the Connecting Europe Facility and to aid for the most deprived for the period 2014-2020*, Document No. C(2014) 2082, EU OJ L 104, 8.4.2014. The detailed method of allocation of resources for Member State for the ETC objective is contained the eighth point of Annex VII to the Regulation 1303/2013. It is determined as “the weighted sum of the share of the population of border regions and of the share of the total population of each Member State”.

down between these two components, but the amount of the transfer may not exceed 15% of the allocated funds. In the second stage, on the basis of the information received from the Member States, the Commission makes a final decision establishing the list of all the ETC programmes with the corresponding support (Art. 4 paragraph 3 and art. 5 of the Regulation 1299/2013).

The Commission finally set up 60 operational programmes (OP) of cross-border cooperation, 15 in the field of transnational cooperation and 4 for interregional cooperation.¹⁶ In comparison to the years 2007-2013, in defining territorial cooperation no major changes were introduced, but the number of OPs increased by 10: eight cross-border and two transnational cooperation programmes. The increase in the number of programmes results, firstly, from the extension in 2013 of the European Union by Croatia (3 new OPs), and, secondly, from the adopted rules of covering overseas countries and territories with greater cooperation (from which mainly France benefited – 4 new OPs). There are more completely new programmes (see Table 2), because of dividing into 3 smaller of the spatially large transnational cooperation OP “South East Europe”, covering a total of 16 Member States, candidates, potential candidates and third countries. Additionally, in some cases, the support area of continued programmes was modified.¹⁷ On the other hand, the interregional cooperation programmes: INTERREG Europe, INTERACT, URBACT and ESPON remained unchanged.

The cross-border cooperation component weight constitutes 77.9%, and for transnational cooperation it is 22.1%.

¹⁶ *Commission Implementing Decision of 16 June 2014 setting up the list of cooperation programmes and indicating the global amount of total support from the European Regional Development Fund for each programme under the European territorial cooperation goal for the period 2014 to 2020*, Document no. C(2014) 3776, EU OJ L 178, 18.6.2014.

¹⁷ Croatia was included in the area of the continued operational programmes of transnational cooperation “Central Europe” and “Mediterranean Area”.

Table 2. New ETC operational programmes implemented in 2014-2020.

Operational programme	Component	Support area (Member States/others)
Adriatic-Ionian	transnational	Greece-Croatia-Italy-Slovenia / Albania-Bosnia and Herzegovina- Montenegro-Serbia
Amazonia	transnational	France / Brazil-Suriname-Guyana
Balkan Mediterranean	transnational	Bulgaria-Greece-Cyprus / Albania- Former Yugoslav Republic of Macedonia
Danube	transnational	Austria-Bulgaria-Czech Republic- Germany-Croatia-Hungary-Romania- Slovenia-Slovakia / Bosnia and Herzegovina-Montenegro-Serbia- Moldova-Ukraine
France (Mayotte/Comores/ Madagascar)	cross-border	France
France (Réunion-Pays de la Commission de l'Océan Indien)	cross-border	France
France (Saint Martin-Sint Maarten)	cross-border	France
Spain-Portugal (Madeira-Açores- Canarias)	cross-border	Spain-Portugal
Ireland-United Kingdom (PEACE)	cross-border	Ireland-United Kingdom
Slovenia-Croatia*	cross-border	Slovenia-Croatia
Hungary-Croatia	cross-border	Hungary-Croatia
Italy-Croatia	cross-border	Italy-Croatia

* the financial perspective 2007-2013 as a programme under the Instrument for Pre-Accession Assistance (IPA).

Source: the author's study.

According to the Government of the Republic of Poland¹⁸, with the participation of the beneficiaries from Poland, seven cross-border cooperation OPs¹⁹ (Germany/Brandenburg-Poland, Poland-Slovakia, Poland-Denmark-Germany-Lithuania-Sweden (so called South Baltic), Poland-Germany/Saxony, Germany/Mecklenburg-Western Pomerania/Brandenburg-Poland, Czech Republic–Poland, Lithuania-Poland) and two transnational cooperation OPs (Central Europe, Baltic Sea) will be continued.²⁰ Because, however, since January 2008 in Poland a changed Nomenclature of Territorial Units for Statistics has been in force (not included in the previous financial perspective), in the case of certain cross-border cooperation programmes it can have a significant impact on the area of support.²¹

¹⁸ The Government's view was that a starting point in determining the geographical scope of the new programmes should be the continuation of programmes from the years 2007-2013. See *Stanowisko Rządu RP dot. wniosku rozporządzenia Parlamentu Europejskiego i Rady w sprawie przepisów szczegółowych dotyczących wsparcia z Europejskiego Funduszu Rozwoju Regionalnego w ramach celu „Europejska współpraca terytorialna”*. [In:] *Stanowiska Rządu Rzeczypospolitej Polskiej do pakietu propozycji legislacyjnych Komisji Europejskiej dla polityki spójności 2014–2020* (https://www.mir.gov.pl/fundusze/Fundusze_Europejskie_2014_2020/Negocjacje_2014_2020/Stanowiska_Rzadu_RP/Documents/stanowiska_rzadu_do_pakietu_ps.pdf, p. 33 (access 13.09.2014).

¹⁹ The key area of cooperation has remained unchanged since 2004-2006. See P. Dołzbłasz, A. Raczyk, *Współpraca transgraniczna w Polsce po akcesji do UE*, Warszawa: Wolters Kluwer Polska 2010, pp. 180–181. Numerous arguments in favour of such a solution are contained in the expertise ordered by the Ministry of Regional Development under the title *Wyzwania i cele dla programów współpracy transgranicznej z udziałem Polski po 2013 roku* prepared by the company EGO (Evaluation for Government Organizations), Warszawa, 2 October 2012 (http://www.ewt.gov.pl/Wiadomosci/Documents/ekspertyza_EWT_po_2013.pdf), p. 45–46 (access 13.09.2014).

²⁰ Document No. C(2014) 3776, op. cit.

²¹ In comparison to the situation in 2000, the number of units of NUTS level 3 in Poland (sub-regions) has increased by 50% – from 44 to 66. Regulation of the Council of Ministers of 14 November 2007 on the introduction of Nomenclature of Territorial Units for Statistics (NUTS), *Journal of Laws of 2007*, no. 214, item 1573. The Regulation of the Council of Ministers complies

So far, the Polish Ministry of Infrastructure and Development²² has played the role of a Managing Institution in three cross-border cooperation programmes (Poland-Brandenburg, Poland-Slovakia, and South Baltic), in the new financial perspective the Polish party will continue to manage programmes Poland-Slovakia and South Baltic, and will also take over the management of Poland-Saxony OP.

A completely new element of the provisions concerning ETC are solutions aiming to ensure greater thematic and investment concentration of cooperation. The freedom of arbitrary formulation of thematic objectives and investment priorities was significantly restricted by introducing in cross-border and transnational cooperation programmes a condition for choosing up to four enumerated objectives (see Table 2), on which at least 80% of the ERDF allocation is to be concentrated (Art. 6 of the Regulation 1299/2013).²³ This limitation does not apply only to interregional cooperation programmes. At the same time these priorities are to be more closely than in the past associated with the strategy “Europe 2020”.²⁴ Within each of

with Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of territorial units for statistics (NUTS), EU OJ L 154, 21.6.2003. As an example, in Saxony-Poland OP in 2007-2013, the support area on the Polish side included two NUTS 3 units: Jelenia Góra-Wałbrzych sub-region (Lower Silesia) and the Zielona Góra sub-region (Lubuskie Voivodeship) with a total area of 18 248 km², while in 2014-2020 it will be a new Jelenia Góra sub-region (Lower Silesia) and Żary district (Lubuskie Voivodeship) with the total area of only 6964 km².

²² Previously, the Ministry of Regional Development.

²³ The original proposal of the Commission assumed a hundred per cent allocation to no more than four thematic objectives. Art. 5 of *Proposal...*, COM(2011) 611 final/2, op. cit.

²⁴ The Strategy adopted in March 2010 assumes smart, sustainable and inclusive growth of the EU economy. It concentrates on the following targets which should be achieved at the level of the whole EU by 2020: (1) employment – 75% of the population aged 20-64 should be employed, (2) innovativeness – 3% of the EU’s GDP should be invested in R&D, (3) education – the need to reduce the number of early school leavers to less than 10% and increase the number of people aged 30-34 with tertiary education to at least 40% (4) the

the identified thematic objectives, the following are defined: investment priorities common to the two objectives of Cohesion Policy (totally 40 priorities – the list is included in art. 5 of the Regulation 1301/2013) and priorities set out additionally for the individual components of the “European territorial cooperation goal” (Art. 7 of the Regulation 1299/2013). A particular ETC programme consists of priority axes, each of which – in principle – corresponds to a thematic objective and covers at least one investment priority of this thematic objective (Art. 8 paragraph 1 of the Regulation 1299/2013).²⁵ These solutions were adopted despite the negative opinion of the Committee of the Regions, which feared that a narrow focus of ETC on implementation of basic priorities of the strategy “Europe 2020” will not allow it to play a “distinct and unique role” and recommended an increase in the number of thematic objectives from four to five, and extension of the list of investment priorities, among others by tourism, climate-friendly maritime transport and culture.²⁶

The existing rules for selecting operations within particular types of operational programmes were maintained. Within the framework of cross-border and transnational cooperation, beneficiaries must come from at least two participating countries, at least one of which shall be a Member State, and in the case of interregional cooperation from at least three countries, at least two of which shall be Member States (Art. 12 paragraph 2 of the Regulation 1299/2013).²⁷ The

fight against poverty and social exclusion – reducing the number of people at risk of poverty and social exclusion by at least 20 million, and (5) climate and energy – reducing greenhouse gas emissions by 20% compared to 1990 levels (or even 30%, if the conditions are right), 20% of energy should come from renewable sources and energy efficiency should increase by 20%. *Europe 2020. A Strategy for smart, sustainable and inclusive growth*, Brussels, 3.3.2010, COM(2010) 2020 final.

²⁵ Some exceptions to this rule are envisaged.

²⁶ Points tenth-eleventh and amendments 4-7 of Opinion of the Committee of the Regions, op. cit.

²⁷ The Committee of the Regions in its opinion proposed to maintain the principle of cross-border and interregional cooperation, but in relation to transnational cooperation concluded that this “cooperation would not

Table 3. Thematic objectives supported by the ERDF

S.n.	Thematic objective
1.	Strengthening research, technological development and innovation
2.	Enhancing access to, and use and quality of ICT
3.	Enhancing the competitiveness of SMEs
4.	Supporting the shift towards a low-carbon economy ²⁸ in all sectors
5.	Promoting climate change adaptation, risk prevention and management
6.	Preserving and protecting the environment and promoting resource efficiency
7.	Promoting sustainable transport and removing bottlenecks in key network infrastructures
8.	Promoting sustainable and quality employment and supporting labour mobility
9.	Promoting social inclusion, combating poverty and any discrimination
10.	Investing in education, training and vocational training for skills and lifelong learning
11.	Enhancing institutional capacity of public authorities and stakeholders and efficient public administration

Source: Art. 9, paragraph 1 of the Regulation 1303/2013.

novelty in this respect is, however, a clear indication of the European Grouping of Territorial Cooperation (EGTC) or other legal body established under the laws of one of the participating countries, as the only potential beneficiaries of the operational programme (Art. 12 paragraph 3 of the Regulation 1299/2013). The condition is that the entity was formed by institutions and public entities from at least two participating countries in the case of cross-border and transnational cooperation and in the case of interregional cooperation – by at least three.

reflect its transnational dimension and that it is the rules for interregional cooperation mentioned in the article that should apply here”. (with the exception of programmes for the outermost regions). Amendment No. 10 *Opinion of the Committee of the Regions*, op. cit.

²⁸ The original proposal of the Commission was “low-carbon”, which was objected to, among others, by Poland.

The emphasis on really shared nature of realised operations was increased and conditions for their selection were tightened. While in the past financial perspective in the case of cross-border and transnational cooperation, beneficiaries could choose two of the four so-called cross-border conditions (common: preparation, implementation, staffing and financing), now, as a rule, they have to cooperate in the preparation and execution of the operation, and – to choose or totally – in terms of providing personnel and financing of the operations (Art. 12, paragraph 4 of the Regulation 1299/2013).²⁹ Exceptions are the operations under programmes conducted with the participation of the outermost regions and third countries or territories in which the beneficiaries are obliged to work only in the first two areas (preparation and execution). In relation to the inter-regional cooperation it is, in turn, certain alleviation of requirements, because previously it was mandatory to cooperate in the field of all four cross-border conditions.

Higher efficiency of cooperation would also be supported by a greater focus on results and indicators. There are common and programme-specific output indicators and programme-specific result indicators. The former ones are set out in the Annex to the Regulation 1299/2013.³⁰ What is important, result and output indicators, adopted at the level of OP, are to be verified twice: in 2017 and 2019 on the basis of extensive reports prepared by the managing authorities and submitted to the European Commission (Art. 50 of the Regulation 1303/2013 and art. 14 of Regulation 1299/2013). The purpose of this is to ensure more effective cooperation.

²⁹ The finally adopted solution differs from the Commission's original proposal, which envisaged the need for cooperation in all the four areas. The changes were made primarily at the request of the Committee of the Regions, which demanded to alleviate these requirements, particularly with regard to small projects "which nevertheless struggle to meet all four criteria". Amendment No. 11., *op. cit.*

³⁰ The Committee of the Regions acknowledged that common output indicators listed in Annex should be treated as examples only, and such "a general provision will not ensure the efficacy of either the programme or operations". Amendment No. 12., *op. cit.*

The distinction of the main and adjacent area under the operational programmes was abandoned with the introduction of a general category the ‘Union part of the programme area’ (Art. 20, paragraph 1 of the Regulation 1299/2013). The rule governing the possibility to finance the cooperation outside the EU was maintained and it is to be applied when “the operation is for the benefit of the programme area”, at the same time raising the total amount that may be spent outside the area from 10% to 20%, in the case of the outermost regions up to 30%. (Art. 21 of the Regulation 1080/2006 and art. 20 of the Regulation 1299/2013).

The new solutions do not make a clear distinction between the amounts of contribution of the European Regional Development Fund in ETC projects depending on the GDP per capita. Previously, there was a division into two categories of the Member States and the resulting two figures of the ERDF contribution: 85% and 75% of eligible public expenditure. This higher one was used in the operational programmes, in which at least one participant belonged to a Member State with the average GDP per capita exceeding 85% of the EU average in 2001-2003 (Art. 53 paragraph 3 of the Regulation 1083/2006). The new Regulation introduces only the maximum rate of co-financing at the level of 85% (Art. 120 of the Regulation 1303/2013), although the original Commission’s proposal envisaged reduced ETC project financing at the level of 75% of eligible costs.³¹ The EC proposal, however, was met with considerable opposition from the Member States (including Poland³²), the Committee of the Regions and the European Parliament.

To meet the demands of beneficiaries, a certain simplification of the support system was made, which should help to facilitate the implementation of programmes. First of all, it allowed the calculation

³¹ Art. 110, paragraph 4, subparagraph 2 Proposal of 6 October 2011. Document COM (2011) 615 final.

³² The Polish party argued that “the Commission’s proposal may result in the lack of interest in the implementation of these projects which will have to compete with projects from the mainstream of cohesion policy”. The position of the Government of the Republic of Poland, op. cit., p. 7.

of staff costs of operational programmes at a flat rate (Art. 19 of the Regulation 1299/2013). Secondly, in the case of smaller OPs (where the total allocation does not exceed 50 million euro) the amount allocated for technical assistance was increased from 6 to 7% (Art. 17 of Regulation 1299/2013). Thirdly, the institution designated to perform the programme managing functions can also perform the functions of the certifying authority (Art. 21 of the Regulation 1299/2013). Fourthly, legislation on conversion of foreign currencies to the euro was introduced (Art. 28 of the Regulation 1299/2013).

The content of the operational programme was modified, among others by resigning from such information as the SWOT analysis, but at the same time introducing a number of new elements. Particularly extended were the fragments on the description of each priority axis, which include, for example, the expected results for specific objectives, the description of the types and examples of projects funded under each priority investment and quantified target value of common and specific output indicators (Art. 8 paragraph 2 of the Regulation 1299 / 2013). In certain cases, the programme must contain a description of the implementation of environmental policy and climate change mitigation, promotion of equal opportunities, in particular gender equality and prevention of discrimination (Art. 8 paragraph 7 of the Regulation 1299/2013).

2. Regulations on the European grouping of territorial cooperation

With regard to the legal instrument EGTC, a number of amendments to the Regulation of July 2006 on a European grouping of territorial cooperation,³³ proposed by the Commission and introduced the Parliament and the Council, is limited but the changes are quite important. The number of groups created so far is not impressive: the EU record dated October 2013 contains 39 items, 15 consecutive

³³ *Regulation (EC) No 1082/2006 of the European Parliament and of the Council of 5 July 2006 on a European grouping of territorial cooperation (EGTC)*, EU OJ L 210, 31.7.2006 [hereinafter referred to as Regulation 1082/2006].

EGTCs were in the course of organization during that period.³⁴ Nevertheless, the EGTC is believed to be a useful legal instrument enabling the achievement of territorial cohesion of the EU and supporting solving of border problems. The aim of the introduced changes is to facilitate the creation and functioning of the EGTC by removing observed barriers and clarifying certain provisions, so as to significantly boost the attractiveness of this instrument.

The list of potential members of the EGTC was expanded. Apart from the Member States, regional and local authorities and bodies governed by public law³⁵, these can be: the authorities at the national level, public enterprises³⁶, “undertakings entrusted with operations of services of general economic interest in compliance with applicable Union and national law”³⁷ and “national, regional or local authorities, or bodies or public undertakings from third countries” (Art. 1 paragraph 3 of the Regulation 1302/2013). Although the Regulation 1082/2006 did not exclude the possibility of participation

³⁴ The list of EGTCs, about the creation of which the Committee of the Regions was notified in accordance with Regulation (EC) 1082/2006 (<https://portal.cor.europa.eu/egtc/Register/Pages/PL.aspx>) and EGTCs under construction (<https://portal.cor.europa.eu/egtc/CoRActivities/Pages/welcome.aspx>; access: 25.08.2014). According to the register kept by the Ministry of Foreign Affairs, Poland is home to three of the EGTCs: TRITIA, the Tatras and the Central European Transport Corridor. See: <http://www.msz.gov.pl/resource/2faf4636-07c1-4ebc-a642-6b8ef5c57f87:JCR> (access: 28.08.2014).

³⁵ The meaning of art. 1, paragraph 9, subparagraph 2 of *Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts*, UE OJ L 134, 30.4.2004.

³⁶ The meaning of art. 2, paragraph 1, point b, *Directive 2004/17/EC of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors*, UE OJ L 134, 30.4.2014.

³⁷ This category of potential members of the group was introduced at the request of the Committee of the Regions. Amendment No. 1, *Opinion of the Committee of the Regions “Overview of the EGTC Regulation”*, EU OJ C 113, 18.4.2012. It applies to companies operating in such areas as education and training or medical care.

of entities from third countries in the EGTC, “where the legislation of a third country or agreements between the Member States and third countries so allow”³⁸, it also did not contain specific rules for such participation. When amending the Regulation a new art. 3a was added, which regulates the accession of members from third countries or overseas countries or territories (Art. 1 paragraph 4 of the Regulation 1302/2013). What is important, it does not apply to any third country but to the one which neighbours³⁹ at least one Member State or its overseas territories and “where those Member States and third countries jointly carry out territorial cooperation actions or implement programmes supported by the Union”. And although as the rule it was maintained that the EGTC consists of members located on the territory of at least two Member States, there appeared – as an exception – the possibility to create groups composed of members coming from only one Member State and members from one third country or overseas territory. The possibility of membership of associations consisting of bodies belonging to one or several of the above mentioned categories remained valid.

The previous principle of compliance of the EGTC tasks with competences of all members was mitigated. Lack of competence of a member in relation to the task / tasks set out in the convention is not an obstacle to joining the group, if “the Member State or third country approves the participation of a member established under its national law” (Art. 1 paragraph 9 of the Regulation 1302/2013). This change (very positively assessed by the Committee of the Regions) is to contribute to “the emergence of new forms of multilevel governance”.⁴⁰

The main documents regulating the activities of a particular group are the Convention on European Territorial Cooperation (hereinafter referred to as the convention), and the statutes. The Regulation 1302/2013 clearly expanded the scope of the convention

³⁸ The sixteenth recital of the Regulation 1082/2006.

³⁹ It refers to both land and maritime neighbourhood.

⁴⁰ Point 27 *Opinion of the Committee of the Regions “EGTC Regulation Overview”*, op. cit.

introducing the principle of separateness of the convention content and the statutes, while in the original version of the Regulation 1082/2006 the statutes contained as a minimum all the provisions of the convention. At present, the convention is clearly an act defining the constitutive elements of the group, while the statutes contains only the purely executive provisions. The convention must contain, in addition to the name of the group, its registered office, the extent of the territory, the objective and the tasks, the duration and the conditions for its dissolution, the list of members, the law applicable to the interpretation and enforcement of the convention, the arrangements for mutual recognition, including for financial control and the procedures for adoption of amendment of the convention as well as new elements, such as the list of the group organs and their respective competences and numerous references to the applicable Union and national law directly relevant to the EGTC's activities carried out under the tasks specified in the convention, the provisions applicable to the staff of the EGTC, and regulations regarding liability of the EGTC and its members (Art. 1 paragraph 10 of the Regulation 1302/2013). The statutes does not duplicate the convention content and the minimum requirements of its contents are basically in line with the previous wording of Art. 9 paragraph 2 of the Regulation 1082/2006. There remained the possibility to prohibit a group to carry out a particular activity by a Member State on its territory, to demand the withdrawal of its own members from the group if the EGTC carries out any activity in contravention of the State's provisions on public policy, public security, public health or public morality or in contravention of the public interest (Art. 13 of the Regulation 1082/2006) or even to dissolve the group which does not serve the objectives of territorial cooperation, or which acts outside the scope of the tasks entrusted to it (Art. 14 of the Regulation 1082/2006).

Another simplification of the procedure is the introduction of the principle that in the case of the accession of a new member from a Member State, which has already approved the convention, the accession has to be approved only by the state, the law of which the member is subject to. The State in which the EGTC is located

is only notified of the fact of the accession of the new member. The simplified procedure does not apply in the situation of the accession to the group of a new member from a state which has not approved the convention (Art. 1 paragraph 5 of the Regulation 1302/2013).

The introduction of the separateness of the convention content and the statutes has resulted in the necessity of registration or publication of both documents in the Member State where the EGTC has its registered office (previously only the statutes were registered / published). A request for the notification about the creation of the EGTC was formalised; it is transferred by the Committee of the Regions (and not by the European Commission as before) for publication in the “Official Journal of the European Union”, while the series was changed from S (Public Procurement) to C (Information and Notices) (Art. 1 paragraph 7 of the Regulation 1302/2013). The template of such a request is set out in the Annex to the Regulation 1302/2013. Provisions concerning the organizational structure of the EGTC were not changed. The organs required by the Regulation are: an assembly as a representative body and a director who represents the group and acts on its behalf. The appointment of additional organs can be statutorily regulated (Art. 10 of the Regulation 1082/2006).

Final remarks

According to the European Parliament, the European territorial cooperation objective constitutes in itself “a test bed for European integration”.⁴¹ By reducing the barriers between territories and regions, it contributes to the creation of “ever closer union among the peoples of Europe” and makes an important contribution to the faster achievement of territorial cohesion of the European Union. ETC is not only one of the key elements of cohesion policy, but also – for external borders – is part of the pre-accession process and participates in the implementation of neighbourhood policy. The legislative

⁴¹ Point K of the *Resolution*, op. cit.

package adopted for the years 2014-2020 is assumed to serve the efficient and effective implementation of these policies, but it will be possible to evaluate these solutions only after some time.

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Polish Local Government Regionalism

Abstract

The successful development of Polish regions is dependent on rapid reforms, as a result of which they will become more innovative and thus more competitive and not only in the domestic but also in the international dimension. Both state authorities and regional authorities should take responsibility for these reforms even to a greater extent than previously. In practice, this means, according to the author of the study, the need to make administrative structures of regions and local governments drastically less bureaucratic. What is also necessary is the completion of the privatization process of regional economy, as well as its greater openness to international competition. The author of the study identifies the main challenges faced by Polish regions and local governments related to their further development in the conditions of Polish membership in the European Union.

Keywords: region, regionalism, regional policy, the state

Introduction

The debate about the need to reform central, regional and local administrations, which have operated for almost 25 years without major changes and less and less efficiently, has intensified recently. It is believed that the direction of the reform should lead to the improvement of mechanisms of coordination, cooperation, participation and to the increase of control over the central and local administration. Shortcomings in the functioning of virtually all

institutions of the state are raised. This crisis is deepened by the low level of social morality, as well as of local and state authorities, which is indicated by Czesław Bartnik. After the communist times and in the current times of liberalism, as the above mentioned author writes, we encounter deep allergy to ethical standards in the public life. What is interesting in his opinion is the fact that almost throughout the last 25 years of democracy in Poland the ethical factor has been ignored in discourses on public topics. The establishment of the “Civil Service Code of Ethics” by the Prime Minister on 11 October 2002 was therefore very legitimate.¹ This code is precise and sublime, but it is completely forgotten and virtually not in use². As experience teaches us, the most in public life depends not so much on a good system, but on the quality of man.

The current development of self-government takes place as a result of localism and regionalism policy pursued by the state, with varied support of society. The chances of this policy depend on the fulfillment of certain conditions, as well as on the constant vigilance of the state and society against visible threats. In Poland, essentially, there has not been indigenous absolutism. The country has been famous for local government institutions: community (opole), state (local councils) and modern local government. This institution has been subject to continuous reforms, as it has been and is, in fact, very complicated. Regionalism is thus a phenomenon which has been rooted in Poland for a long time. As an independent, modern socio-cultural trend and, eventually, a political one, it developed rapidly in the late nineteenth and early twentieth century, covering the whole continent. On the Polish territory it was a programme aimed at revival and enrichment of culture. However, it is worth noting that the ideas of regionalism did not appear suddenly. They have always existed, in every epoch, as a conscious desire, growing out of

¹ *Ordinance No. 114 of the Prime Minister dated 11 October 2002 on the establishment of the Civil Service Code of Ethics*, “Monitor Polski” No. 46, item. 683, pp. 1929-1930.

² C. Bartnik, *O prawdę i dobro w samorządach*, „Nasz Dziennik”, 31.10.-2.11.2014, p. 23.

affection and love for the homeland, later manifested themselves in combat, aiming to separate ethnically, culturally and economically compact areas within the existing states, playing an invaluable role in shaping national consciousness and political self-determination. However, in the nineteenth century, the causes of the revival of regionalism in Europe were different. In the literature on local government, it is believed that regionalism evolved as an expression of opposition to the way of civilization development adopted on the “continent”, it was a form of opposition to the uniformity and alienation of urban societies, and loss of values relevant to man in the processes of urbanization and industrialization³. In contrast, the rise and manifestations of political regionalism was directed against excessive centralism of the state. The content of this classic regionalism, as it is sometimes called, especially in French literature, was shaped by the views of Alex de Tockqueville, Benjamin Constant, Pierre J. Proudhon, Leplay Ferdinand, Paul Deschanel and others. In the European political thought, regionalists especially thoroughly criticised excessive state centralism, noticed in the political and administrative, economic and socio-cultural spheres. Pointing to its negative consequences in the political-administrative sphere, they argued that excessive state centralism leads to despotism, it is not a stable authority, because it provokes revolutions and coups, creates barriers between the authorities and society, discouraging citizens from holding public offices, and, moreover, leads to the development of bureaucracy which makes it difficult to manage the state losing itself in reporting and administrative formalities.

Economic considerations also militated against excessive centralism. This system was blamed for gathering the majority of capitals in a decision-making and administrative centre. Provinces are deprived

³ J. Sługocki, *Zagadnienia regionalizmu i tożsamości regionalnej*, Bydgoszcz: WSP 1990, p. 9. Issues of regionalism, especially the theoretical and historical aspects are widely discussed by M. Gołda-Sobczak, *Szkice o kulturze i źródłach społecznego przekazu*, Opole: Wydawnictwo Naukowe Scriptorium 2014; K. Klecha-Tylec, *Regionalizm w teorii i praktyce państw Azji Wschodniej*, Warszawa: Wydawnictwo Naukowe PWN 2013.

of material resources they need, which exacerbates their underdevelopment. Administrative centralism was held responsible for the escape of the population from the countryside to cities, which had its negative consequences for the socio-political, economic and cultural life of the province. European regionalists in the late nineteenth and early twentieth century, achieved the most in the economic and cultural life, but their political demands were received with great reserve, fearing separatism.

1. Contemporary opportunities and threats for regionalism in Poland

In 1988, the European Parliament passed “Community Charter for Regionalization”⁴. The region is defined there as the area constituting a distinct geographical entity, present at the highest level of territorial division of the country, whose population is distinguished by specific features, such as language, culture, tradition. Forms of government of the region are: the regional assembly, as a constituting and controlling body, and the presidium, as a body with executive powers. The basic characteristics of the region should be: financial independence (its own assets and budget) and the right to cooperate in the decisions made by the state.

On the basis of the existing studies, as well as a report of the committee for the Public Administration Reform of the Institute of Public Affairs we can establish the main lines of the strategy and a number of important issues of development of modern European regionalism and draw appropriate conclusions for Poland. It must be added here that the literature existing in Poland on European local government is increasing and diverse. To a greater extent it pertains to France, Germany, England, Italy, Switzerland, and, in the form

⁴ *Gemeinschaftscharta der Regionalisierung. Amtsblatt der Europäischen Gemeinschaften*, C 326/299, 19.12.1099.

of contributions, basic issues of the system and functioning of local governments in other countries of Western Europe are discussed⁵.

The review of the literature shows that there is no single, common, European, standard government model of the region. Also the European Regionalization Charter (1988) and the European Charter of Local Self-Government (27 June 1985), ratified by Poland on 26 April 1993, are not binding, but are the acts obliging Member States to adopt certain general rules⁶. On the basis of their contents, it cannot be resolved which pattern of a government form of the region is preferred; whether it is administration and local government as in France, or expressing the will of political autonomy as in Italy, or

⁵ I. Pietrzyk, *Polityka regionalna Unii Europejskiej i regiony w państwach członkowskich*, Warszawa: Wydawnictwo Naukowe PWN 2004; G. Gorzelak, B. Jallowiecki, *Dylematy europejskie*, [In:] P. Buczkowski, K. Bondyra, P. Śliwa (eds.) *Jaka Europa? Regionalizacja a integracja*, Poznań: Wydawnictwo Wyższej Szkoły Bankowej 1998; K. Wódz, J. Wódz, *Regionalizm w perspektywie analizy: większość–mniejszość*, [In:] *Studia etnologiczne i antropologiczne*, vol. 2. *Kultury regionalne i pogranicza kulturowe a świadomość etniczna*; I. Bukowska-Floreńska (ed.) Katowice: Wydawnictwo Uniwersytetu Śląskiego 1999; M. Waniewska-Bobin, *Europejskie modele samorządu terytorialnego*, Lublin: Katolicki Uniwersytet Lubelski Jana Pawła II/Instytut Nauk Politycznych i Spraw Międzynarodowych 2012.

⁶ These are the rules stating that the issue of local government should be regulated by law, and whenever possible, in the constitution. It gives a general definition that territorial self-government administration means the right and duty of citizens to regulate and shape important public affairs in accordance with the will of the residents. It guarantees the right of choosing representative bodies in free, secret, equal, direct and universal elections. It introduces a rule that local government is responsible for all local matters, except those which are handed over to other bodies by legal regulations. It introduces the protection of territorial boundaries of local government corporations. It assures freedom of self-government in shaping their bodies, as well as independence of councilors. It establishes the boundaries of administrative supervision. The purposefulness of action may be subject to supervision only in commissioned cases. The charter devotes much attention to the security of their own income and financial resources. It provides the right of cooperation of local government corporations in the implementation of common tasks, also at the international level.

perhaps even of greater autonomy as in Spain. What is common are the dimension parameters and basic constitutional premises: the construction of a decentralized state, based on the three-level system of local government units. Thus, these are not supposed to be federal states, the idea of which implies the existence of sovereignty of their components (federal states, cantons, states). That is why, according to the author, a proper Polish model of the region should be close to the French system, and at the same time it should be noted that Poland, becoming an administratively decentralized country, will become a uniform country with full and exclusive sovereignty of the state, with the presence of the state at the level of the region.

The Polish legislator's reference to historical regions, when creating a new administrative division of the State in 1998, was a politically inflammatory issue from the beginning. A number of critics of the Act feared the assimilation of certain areas with Western Europe, as well as due to the adopted territorial division criteria, out of which the reformers recognized economic, income and spacious determinants as crucial, with a clear omission of the historical background and the will of people with especially large traditions of regional autonomy. Few politicians and scientists did not share these concerns then. Jan Turowski was an enthusiast of regionalism; according to him this modern regionalism in Poland will become a new concept of the system and the functioning of society. The decentralization of executive power, freedom of action of unions and associations, referring to the initiative of individuals can trigger social energy sources, essential in the development of the country. In this way – he wrote – Polish regionalism will become a new idea of the political system and reforms based on it will actually enforce the empowerment and self-government of the population within the local and regional communities. It will also become a new opportunity for the development of the country and will protect the state authority from inefficiency. The development of local and regional communities in post-industrial societies will open great opportunities for them. These changes in Poland have a starting character, but are and will be taking place intensely together with the integration with Western

countries. We should, therefore, recognize the future of regionalism and localism and work in this direction⁷.

But certain threats were also perceived, whether, for instance, we will not excessively weaken the centralized unity of the Polish state in favour of the regions, more easily assimilating with the West. For Catholic Poles not without significance was the question of whether regionalization would mean the resignation from the Polish Church headed by the Primate in favour of local, completely autonomous diocesan churches on the Polish soil, whether the Catholic Church will not become a local church in Europe, instead of the European one. Czesław Bartnik, mentioned above, wrote about the dangers which the regionalization of administration posed for the unity of Poland: “For hundreds of years, unity was regarded by the people as sacred, as unity of the highest authority, the state, the culture, the army, the truth. But nowadays it has been questioned as a value from two sides: from the fashion for “pluralism” as more promising, and from radical liberalism which wants to break strong traditional values. While for thousands of years the human effort was aimed at building social unity, especially of the state, now we are beginning to be afraid of unity, especially of great one. Small, homely, “warm” countries, small homelands are being sought for. The era of the great states is becoming outdated, though, as if paradoxically, on the horizon there appears at the same time a form of the single State of Europe, and even the State of the World. Thus, for example, Italy wants to be divided into Italia and Padenia, the United Kingdom into England, Wales and Scotland, Spain into seven parts, and the Russian Federation may face the threat of disintegration into 150 statelets. Poland may be confronted with a similar problem”⁸.

⁷ J. Turowski, *Regiony – regionalizm – lokalizm*, „Zeszyty Społeczne Klubu Inteligencji Katolickiej w Lublinie” 6(1998), p. 25.

⁸ C. Bartnik, *Fenomen Europy*, Lublin: Dom Wydawniczy 1998, p. 370; Cf. A. Piskozub, *Dziedzictwo tradycji historycznej jako podstawa współczesnej tożsamości regionalnej ziem polskich w jednoczącej się Europie*, „Przegląd Zachodnio-Pomorski”, vol. XV, 2000, no. 2; A. Piskozub: *Powrót do historycznych regionów czy tylko do ich nazwy?*, referat wygłoszony podczas VI Kongresu

Czesław Bartnik also drew attention to the aspects of the so-called administrative revolution which are invisible at a cursory analysis. “I do not think – he writes – that there is here such a political party which would want to destroy Poland. Rather, we deal with certain attempts to re-evaluate the meanings of Poland and the state, homeland, Polish culture. And there might be people, and even entire parties, for whom “one”, “great”, “Catholic” Poland is completely anachronistic. They would prefer “pluralistic”, “plural” Poland, divided into regions, without official presence of the Catholic Church, believing that it will be better for us, especially in economic and civil terms. They call this position European and modern in opposition to patriotic, as allegedly nationalistic. But it must be said that the position of the postmodern type raises serious concerns among the majority of Polish society”⁹. Warning against the possibility of weakening of the administrative unity of the state and the Church, the mentioned author asks if it is a form of elimination of the old clerical world, which we do not cope with, if it is supposed to improve Polish economy and its cooperation with Western Europe. At the same time he warned that the deeply decentralized Polish state may eventually die and become a Bavaria, Padania or “country-upon-Vistula”. In addition, an extremely decentralized state can be paralyzed by local rulers, as it was in the seventeenth and eighteenth centuries, and completely inefficient. In conclusion, Bartnik stated that in reforming the state equal care needs to be taken about the unity and regions. The state cannot be reduced to a loose sum of the areas. It still has its “spirit”, personality, culture, language, history, consciousness, emotional ties and joint action. Although we need to connect to Western Europe, which is very promising, it is not allowed to create “many Polands”, it must remain as one and whole¹⁰.

Regionalnych Towarzystw Kultury w Radomiu w dniu 23-26 września 1998; B. Jałowiecki, *Kwestia regionalna*. [In:] G. Gorzelak, B. Jałowiecki (eds.) *Czy Polska będzie państwem regionalnym?*, „Studia Regionalne i Lokalne” 9(42), Warszawa 1993.

⁹ Ibid., p. 371.

¹⁰ Ibid., p. 372.

During that period of the heated discussion I expressed my opinion connected with the above issues by asking whether there is really something capable of threatening strong national identity of our society. "I do not think we are in danger of such autonomy of regions which would be able to undermine the international integrity of Poland. Currently we are experiencing tremendous growth of European self-awareness. It is expressed in the search for common principles, features uniting us with Europe. The main factors behind this new European genesis are the activities of the state authority making the political transformation, economic integration attempts, the similarities of science and technology. However, difficulties on this path are discerned in the social, moral, spiritual and religious fields. In connection with this, the questions arise about which of these factors, or their collection, will be decisive for the creation of natural, rather than artificial, life of the continent. I believe that the fields of politics, economy, science and technology as the external conditions are a *sine qua non* condition for the further full and genuine integration. And a guarantee that the process is moving in the right direction will be our activity and awareness of the aims and values, i.e. creation of such Europe in which the Polish and European identities will complement and condition each other, respecting the identity of nations, cultures, languages, states and religiousness, remaining in connection with the hope for better life"¹¹.

A little later many authors pointed to further difficulties as a consequence of regionalism, including huge expenses and debts that arise in connection with the reform, corruption of local government, making local authorities party dependent and the resulting self-interest, political selfishness, lack of ideological orientation, mess and conflicts of competence, the creation of the conditions for the operation of separatist forces (division into lands). Historian John Łopuszanski writing about the prospects of regionalization was worried

¹¹ P. Wójcik, *Samorząd terytorialny w Polsce w XX wieku*, Lublin: Redakcja Wydawnictw KUL 1999, pp. 342-343.

about the possibility of a new conquest of Poland by Germany¹². In turn, sociologist Barbara Fedyszak-Radziejowska was worried about the government's disregard for farmers¹³. Gregory Gorzelak, a supporter of diffusion-polarization development, tried to convince the government of Lublin province in the following way: "You were, are and will be poor", the differences between regions cannot be eliminated, a farmer and a tourist will not save Lublin province¹⁴.

Only advocates of sustainable development hoped and tried to convince Poles that local authorities of regions know how to spend "billions from the European Union", they wrote about the need for balanced development in return for grants, they wrote that, for example, Lesser Poland Province focuses on the development of railways, and Subcarpathian Province becomes a green island of Eastern Poland, that hopeful Lublin Province wants to follow the footsteps of the Subcarpathian region. At the same, region supporters realize that Polish provinces still come off poorly in comparison with old Europe, although quite well compared to its peripheries and the youngest Member States of the European Union¹⁵.

2. The need for new regional policy

You can share the point of view of these politicians, academics and journalists, who are in favour of large Polish provinces with strong economic growth, taking care of their identity and their

¹² J. Łopuszański, *Perspektywy regionalizacji*, „Nasz Dziennik”, 2-3 June 2012, p. 20.

¹³ B. Fedyszak-Radziejowska, *Wieś, czyli Polska lekceważona i unieważniana*, „Nasz Dziennik”, 9-10 July 2011, p. 12.

¹⁴ Aleksandra Dunajska talked to prof. Grzegorz Gorzelak, „Kurier Lubelski”, 18 July 2014, p. 8, 8 June 2012, p. 12; „Gazeta Wyborcza”, 8 June 2012, p. 2.

¹⁵ A. Osiecki, *Regiony już wiedzą jak wydadzą miliardy*, „Rzeczpospolita”, 4 December 2014, p. 16.; A. Osiecki, *Równomierny rozwój za dotacje*, „Rzeczpospolita”, 21 June 2013, p. 11; A. Stefańska, *Małopolska stawia na kolej*, „Rzeczpospolita”, 24 May 2013, p. 7; A. Cieślak-Wróbiewska, *Regiony mało konkurencyjne*, „Rzeczpospolita”, 28 August 2013, p. 2.

own traditions. Such regional Poland would correspond to Europe and such a shape of Poland has been promoted by successive governments. Unfortunately, announcing, advertising alone are not enough. There is concern that governments do not have full knowledge, that they have treated the integration with the European Union as a simple government program, almost a party one, not realizing that this is a problem equal to a historical reversal. What is also needed is tact, and above all, great reforming energy to convince the opposition, which is made up of people who are afraid that the case is not mature yet. Polish society is still not informed about the scope of agreements concluded so far with the European Union. What is particularly worrying is whether the Polish government has not agreed to the liquidation of mining, agriculture (as Polish shipbuilding before). Thus, we can understand the resistance of the opposition saying that that in connection with the integration with the European Union we risk the loss of economic and cultural sovereignty, and that there are too many unexplained cases, one might even say hidden.

Poland needs large provinces (regions) – Antoni Kukliński wrote – visible not only on the map of the country, but also on the European map. It is a primary issue in the design of the territorial structure of local government. The territory and population are key factors in determining the size of the material resources and the scale of tasks. The correct gradation of local government structures should match this. However, not all regions will be equally economically strong. In this case, will poor eastern regions cope in the new situation?

The general strategy of the country's administrative reform, the opinion of such scientists, experts like Michał Kulesza, Jerzy Regulski, Andrzej Piekara, Zbigniew Leoński or Zygmunt Niewiadomski, based on the classical theory of self-government, was correct. A starting point is the important statement that local government cannot be built in opposition to the state, by opposing the interests of regions to the interest of the state government, of decentralization to centralism. The self-governing region will not have its own sovereign rights. The only sovereign will be the state, which transmits public tasks to territorial associations created by it, only supporting them and it

will do this on the basis of decentralization. The existence of locally governed regions will be completely dependent on the state. The state remains monocentric, uniform, although decentralized. It can, therefore, be assumed that the reform of public authority is carried out taking into account the basic rules that determine the system of the state and it is subordinated to them (especially to the principle of constitutionalism, rule of law, subsidiarity, economic freedom).

The establishment of a new financial system also belonged to the key issues of this strategy. The process of decentralization of finance has two aspects of great importance. Firstly, it is the most effective way of social activation of in the direction of democratic behaviour and triggering of local entrepreneurial spirit. Secondly, it is an effective way of transforming the financial system into the modern system of public finances. Relevant legal acts were supposed to specify own sources of direct financing of different levels of local government and the principle of state subsidies, were supposed to contribute to the limitation of state expenditures solely to macro-social and macroeconomic tasks. The thesis that only a variant of few provinces was economically, profitably, historically and geographically justified was contained in this strategy. Theoretically, the reform did not endanger the state. But was it possible to be absolutely certain that the Polish accession to the European Union eurozone and the related need for further reform of finance and economy will not worsen already bad financial condition of multimillion masses of workers, that it will be possible to conduct own fiscal policy?

The creators and advocates of political reforms of the state rightly claim that without the completion of the peaceful revolution of June 4, 1989, Polish economy will collapse under the weight of an inefficient system of government. Therefore, the current condition of the state and its political and administrative trends should be constantly borne in mind. The Polish administrative system is still highly centralized. Another prominent accent of centralized public administration is the far advanced concentration of power at the central level and the high level of centralization of the financial system. On the one hand, the lack of influence of citizens on government policies and the lack of civil control over the activities of

public administration weaken the identity of local communities, the more so because provinces do not have comparable development potentials. On the other hand, such a persisting state of affairs raises concerns about the recentralization of the administration, i.e. about the creation by the central level of new government institutions in the field, carrying out of tasks under increased supervision of central institutions, increasing financial control, imposing new obligations on local governments without financial security. These trends make local government autonomy turn out to be illusory.

Constructive reflection on the presented propositions, emphasizing more threats than opportunities for further development of regions, requires the penetration of the essence of the state decentralization model, as well as regional policy. Poles want today, in times of weakness of the subjectivity of the state, to do its radical re-structuring, and at the same time to break out of huge social inertia, which they were pushed into in the times of the socialist totalitarianism. They want to create new Poland and a new state in relation to Western Europe. Many of them draw attention to the chances which the properly laid out direction of political transformation can give to Poland, dynamic economic development opportunities, as well as to the achievement of maturity of our social life and national identity in its Western European sense.

However, after seventeen years of experience of functioning of self-governing regions, we must emphasize the need to change the state's regional policy, including legal regulations, especially competence and financial laws. The local government reform of the state territorial organization was carried out under the banner of decentralization and socialization of authority with the rejection of the centralized management system. We expected that regions will take over from the government an extensive package of competences and financial means adequate to their implementation, combined with the ability to clearly identify their sources. Decentralization of authority was supposed to bring economic effects manifested in the accurate allocation of public funds. As a result of the adoption of the Act of 26 November 1998 on income of local government, the way of financing of local government was defined, while minimizing its

share in taxes and expanding a system of grants and subsidies. This Act was not intended to have a target character, but it is valid until today, without introducing major changes. It can be concluded that it became the basis for the preservation of centralist tendencies in public funds administration. Regional governments have not received opportunities to shape their income, actually it is the centre that decides what funds will be transferred to the budgets of provincial local government units. The situation is exacerbated by the fact that in addition to regional budgets, there are numerous funds, which are the responsibility of individual ministers and agencies and agendas appointed by them. Public funds that are transferred to regional governments directly or indirectly in the form of a share in the revenue from income taxes or as subsidies and grants, remain public funds allocated for the implementation of public tasks, irrespectively of their transfer procedure. It should be unquestionable that these funds in the hands of local governments are spent in a better way, and the execution of public tasks, to which they are allocated by local governments, is more effective than in the case when they are performed by the centralized government system. Government and self-government administrations have been created for the execution of the totality of public tasks, but the former should deal with nationwide tasks, surveillance of activities of local governments and assisting them, and not replacing them. Whereas, local governments should have real competence to perform regional and local tasks, in accordance with the state policy. With regard to regional development policy, in which field far-reaching consequences of mismatch between substantial and financial competences is visible, the provincial government was formally equipped only with competences in respect of shaping of the province development strategy and carrying out regional development policy. However, in terms of its funding, it was virtually reduced to the role of a client applying to the centre for the allocation of support means that are generally located outside of it. This is evident in the analysis of the implementation of the Act on the principles of supporting regional development and practical operation of the basic instruments provided by it, that is a program of support and provincial contracts. Thus, unfortunately,

not only inaccuracy in the division of competences is the reason for the formation of competence problems. The decentralization of the political system has not been followed by the public finance decentralization and local governments generally do not have their own resources, but only those with which they are provided from the budget as subsidies, or on the basis of provincial contracts concluded with the government.

Final remarks

In the face of the problems outlined above, it is necessary to formulate new rules for obtaining income by provincial governments, for the significant increase of the list of their own revenues, the precise definition of the rules for granting grants and subsidies, with the simultaneous increase in the scope of unmarked measures, which are subsidies, at the expense of earmarked funds from grants-in-aid, which can be spent by local governments only on tasks which have been predetermined. The funds allocated to local government as grants-in-aid most of all limit its independence. This confirms the fact that regional government revenues are not adequate to the tasks and competences conferred upon it by legislation, which is the cause of the problems of competence, and which are related to the mismatch of substantial and financial competences. Inconsistent and inaccurate localization and distribution of competencies finds its justification in the constant criticism of local governments. They are confirmed by the observations of scientists and journalists on the issues of agriculture, social assistance, health care, or especially the right to spatial planning. For these reasons, it seems necessary to adopt a new competence law, which would exactly divide competences between central and local government, as well as between different levels of local government. It is reasonable as well to re-establish the principles of regional development policy, which would give provincial governments the actual independence in conducting local regional development policy. In the discussed period, regional governments have been largely incapacitated in this regard,

since virtually all the competences of financing of local regional development policy remained the responsibility of the Minister of Regional Development, who, representing the government party at the conclusion of provincial contracts, decided about the amount of funds and projects, to which they will be allocated. Decentralization, especially in the field of public finances has not been completed yet. This is the cause of the problems of development of Polish regions with far-reaching consequences.

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Integrated Management of Regional Finances as a Component of Smart Specialization Policy of European Regions on the Example of Poland

Abstract

A necessary condition for the implementation of integrated management of regional finances in the context of smart specialization of regions in financial terms is financial independence of regions. Only a change of the way of performing tasks by regional communities without providing adequate sources of income violates the essence of the smart specialization policy of Polish regions. Integrated regional development in conjunction with smart specialization of regions should integrate financial resources, tangible and intangible investments, public and private entities. These activities should result in synergy effects and balance between the development of the economic and social spheres.

Key words: regional finances, smart specialization, smart growth, sustainable growth, European Union funds

Introduction

For several years the debate on future development of regions has been dominated by a slogan “smart specialization”. Smart specialization encompasses a new generation of research and innovation policy which goes beyond classical investment in research and technology and general creation of a potential for innovation. The road

to smart specialization requires a clear indication of strengths and weaknesses of a given country or region, as well as leadership skills of entities interested in innovation and sharing of a common vision of action by these entities. According to the European Commission's Directorate General for Regional Policy smart specialization can ensure competitiveness growth of regions, resulting in their quicker development. Therefore, EU documents determining the development policy for the budgeting period 2014-2020 recommend smart specialization to regions. Each of them should specify in what field it will be specializing and should include it in its development strategy.

Consequently, the issue of regional development financing in an integrated approach is brought to the forefront. Integrated financing means a mutually consistent and coherent system of public administration and of formal and informal links among economic and social entities. An important issue is to create networks of cooperation leading to overcoming the asymmetry of information and activities in the spirit of a personalistic administrative model.

The aim of the article is to analyze the most important elements of regional development integrated financing in the framework of smart specialization in Poland. Its main axes focus on such pillars as regional smart specialization, coordination and integrated use of EU funds, territorial contract, activity-based budgeting and long-term financial plans.

1. Smart specialization of European regions

Smart specialization of regions is closely connected to one of the three main priorities of the Europe 2020 Strategy formulated in 2010 by the European Commission: smart growth, development of economy based on knowledge and innovation. As part of the seven key initiatives listed in the Europe 2020 Strategy there is also an Innovation Union initiative. The aim of this initiative is to facilitate access to and improve financing conditions for scientific research and innovation. Scientific research and innovation activities are designed to create new solutions in existing manufacturing processes and to

create new products and services. These in turn should increase the pace of economic growth and contribute to the creation of new jobs. The Europe 2020 strategy is based on three priorities¹:

1. Smart growth based on knowledge and innovation.
2. Sustainable growth, based on transformation of the economy conducive to competitiveness and resource savings.
3. Inclusive growth, characterized by increase in employment and social, economic and territorial cohesion.

These priorities will be implemented through partnership contracts between the European Commission and each Member State, which in turn will determine the commitments of the partners and the European Commission on national and regional levels. They should be connected with the objectives of the Europe 2020 Strategy and national reform programs. They also specify an integrated approach to territorial development supported by all funds covered by the Common Strategic Framework². In connection with this, regions of the EU Member States should prepare strategies for their smart specialization. Under the new financial perspective for 2014-2020 it will be possible to finance activities prepared in the framework of the strategies with particular emphasis on research work, development and innovation. These activities should ultimately help to increase the value added of economy and its competitiveness on foreign markets.

The process of identification of smart specializations is dynamic business, engaging scientific partners, as well as civil society in order to enable the discovery of those areas in which the country has a chance to stand out in the international market. Decisions regarding smart specialization are not taken arbitrarily, but are the result of in-depth analyzes of endogenous economic advantages and cooperation with socio-economic partners. An important role in this process should be played by local development strategies which

¹ European Commission, *Communication from the Commission: Europe 2020, A Strategy for smart, sustainable and inclusive growth*, Brussels, 3.3.2010, p. 5.

² M. Słodowa-Hełpa, *Rozwój zintegrowany. Warunki, wymiary, wyzwania*, Warszawa: Wydawnictwo CeDeWu 2013, p. 155.

can be prepared and implemented in the framework of Local Action Groups and integrated territorial investments.

The identification of regional smart specializations will enable precise matching of investments and their financing in order to intensify economic growth of the region and the state. This identification will also contribute to a greater concentration of EU funds, and thus to their more efficient use. The necessity to identify smart specializations results from the requirement for Poland to fulfill the condition imposed by the European Union to increase funding from private sources for research, technological development and innovation. This is one of the conditions for obtaining European Union funds in the operational programs for 2014-2020. The most difficult task included in the requirement for smart specialization is to determine the socio-economic identity of the region and to identify the areas of specialization. It is necessary then to take into account the fact that in the process of creating sustainable competitive advantages, specific and unique resources are the most valuable potential of the region, determining its uniqueness³. Specific resources are characterized by scarcity of occurrence, are difficult to copy by competitors, and their formation in another area does not guarantee the desired effect.

The result of creating a smart specialization regional strategy is the presentation of national smart specializations which constitute priorities for the science and innovation policy. In this way European Union funds will contribute to building knowledge-based economy. However, smart specialization strategies cannot be imposed from above by national authorities, but should be created and implemented by local and regional authorities. Regional and local governments are closest to citizens, the business world and academic institutions. They should be key partners in the implementation of the strategy, because they are able to establish and coordinate a set of instruments

³ A. Jewtuchowicz, *Terytorium, jako podstawa procesu tworzenia innowacyjnych środowisk przedsiębiorczości*. [In:] Budowanie zdolności innowacyjnych regionów, A. Nowakowska (ed.), Łódź: Wydawnictwo Uniwersytetu Łódzkiego 2009, p. 10.

for local and regional resources. A smart specialization strategy can also be a very useful instrument to meet the global challenges in a spirit of glocalisation. Smart specialization strategies should benefit from the gains of globalization, but they should also systematize and assess these processes. The construction of regional smart strategies cannot only provide a remedy for the disadvantages of globalization, but it should also (and perhaps primarily) exploit the synergy effect resulting from globalization and specificity of regional and local determinants⁴.

The basis for acquiring European Union funds is a national research and innovation strategy for smart specialization. At the central level it is necessary to determine the value of funds for research and development in the form of a multiannual financial plan. This plan should specify strategic investments consistent with strategic objectives of the European Union. This structure should provide the basis for the construction of a new type of economy based on knowledge and innovation. New directions for economic development as well as new forms of influence on the social and political sphere are determined through the use of new methods of operation in economy⁵.

Integrated regional development in conjunction with smart specialization of regions should integrate financial resources, tangible and intangible investments, public and private entities. These activities should result in synergy effects and balance between the development of the economic and social spheres. In this way, a decentralized regional development policy should stimulate the activity of

⁴ L. Jańczuk, *Glokalizm a tożsamość społeczności lokalnych. Próba syntezy*. [In:] M. Chorośnicki, J.J. Węc, A. Czubik, A. Głogowski, I. Krzyżanowska-Skowronek, A. Nitszke, E. Szczepankiewicz-Rudzka, M. Tarnawski (eds.) *Nowe strategie na nowy wiek. Granice i możliwości integracji regionalnych i globalnych*, Kraków: Wydawnictwo KonText 2013, p. 79.

⁵ A.J. Kukuła, *Gospodarka oparta na wiedzy jako strategia rozwoju gospodarczego XXI wieku*. [In:] M. Chorośnicki, J.J. Węc, A. Czubik, A. Głogowski, I. Krzyżanowska-Skowronek, A. Nitszke, E. Szczepankiewicz-Rudzka, M. Tarnawski (eds.) *Nowe strategie na nowy wiek. Granice i możliwości integracji regionalnych i globalnych*, Kraków: Wydawnictwo KonText 2013, p. 572.

district and municipal governments as well as social and economic partners working in favor of regional development. An integrated development policy, focused thematically and territorially, should contribute to a better use of public funds.

2. Integrated management of regional finances

The idea of integrated management of regional finances is not new. For several years this idea has been the subject of debate in the scientific community and has been declared in a number of strategic documents, both at the global, European, national or regional level. However, its widespread acceptance in Poland has still not translated into effective mechanisms of functioning of the state and local and regional communities. The demands for integrated management, consisting of joint interventions in different sectors and at different levels of administration, were already formulated during the creation of the European cohesion policy. Currently this concept is continued in the Europe 2020 Strategy⁶ and in the new financial perspective 2014-2020. Therefore, consolidation and coordination of activities and resources and existing structures will be necessary. It should lead to the integration of funds, public and private entities in order to achieve synergy effects.

The decentralized and integrated regional development policy, focused thematically and territorially, implemented from the level of state government and provincial government, should stimulate the activity of districts and municipalities and their partners working in favor of integrated regional development. Consequently, it should contribute to a better use of public funds, both domestic and foreign ones. One of the most important determinants of the regional development model is the creation of a financial mechanism based on multi-entity and polycentric networks of activity coordination, occurring in various horizontal scales, that is the transformation of

⁶ European Commission, *Communication from the Commission: Europe 2020, A Strategy for smart, sustainable and inclusive growth*, Brussels, 3.3.2010.

“economy of scale” into “network economy”. System solutions, aimed at multiannual planning of regional development in order to gain competitive advantages, should integrate the efforts of all parties. The public finance system should create the conditions for processes influencing the institutional frameworks and rules of conduct for all entities.

The regional system of integrated development financing can neither be imposed nor implemented top-down. Therefore, a number of public and private entities should be based on a synergy effect in cooperation among them. It is worthwhile to identify and exploit the innovation potential in the public and private spheres in the field of citizen activity. A condition for the identification of this potential is to move away from a centrally implemented sectoral policy towards integrated management of regional finances. If the essence of integrated funding of regional development was understood too narrowly, and its creation was more a demand than a fact, it would be a state of unbalance.

At the central government level there is insufficient coordination between individual ministries in the sphere of integrated management of regional development. This pertains in particular to the Prime Minister, the Minister of Infrastructure and Development and the Minister of Finance. Undoubtedly, it is necessary to improve activity coordination at the central level between the center defining strategic objectives, the entity responsible for financing regional development and the entity creating budget bills. In this context, an activity-based budget and a long term financial plan of the state become particularly important. The importance of an activity-based budget lies in the fact that if it is consistently implemented it causes the subordination of the allocation of public funds to the realization of precisely identified social and economic objectives. Public expenditure is treated as an instrument of realization of public tasks and of achieving the objectives of government policy, the function of the budget as a source of financing public institutions recedes into the background. It is obvious in an activity-based budget that expenditure on the maintenance of public administration and its subordinate units providing public services is only a means to achieving

the aims of public administration and is justified only if it actually contributes to achieving these aims. An activity-based budget and a multiannual financial plan of the state form the basis for coordinated actions in the field of integrated financial management in the process of regional development. The essence of an activity-based budget is the introduction of public resource management through objectives, in order to achieve specific results of the implementation of tasks measured by the established system of indicators. The scope of an activity-based budget is wider than the one of the so-called traditional budget by an activity (task) part, i.e. a part which gives information about what purposes public expenditures serve and what the effects of these expenditures are. However, in Poland an activity-based budget is not the basis for the allocation of budgetary resources. The maximization of the effectiveness of the state activities in the process of integrated regional development is essential for further development of the state. Therefore, it is important for the process of budget planning and spending of public funds to be based on activity-based budgeting and multiannual financial and investment plans.

Many local government units have outdistanced the government by many years in the application of new techniques of governance, and in particular in public fund management. The first attempts to use new techniques to manage local finances appeared in fact a few years after the beginning of the political transformation in Poland. In 1989 the Foundation in Support of Local Democracy (FSLD), directed by J. Regulski, was created. It received financial support from the United States Agency for International Development (USAID). It was one of the first foreign institutions, which launched assistance projects for Poland. Thanks to this, a number of regional FSLD centers were created, which dealt with the transfer of knowledge and experience to Polish local governments in terms of management efficiency. It was a large-scale transfer and it concerned democratic standards of management in public entities including activity-based budgeting and social participation programs. Local governments, which met certain standards could also count on financial support from the USAID. It was one of the largest programs supporting the

reforms of the socio-political system and economic transformation process in Poland. As early as in 1994, Krakow, as the first city in Poland, implemented an activity-based budget. In subsequent years, following the example of Krakow, an activity-based budget was implemented in many other towns. On the basis of these experiments, in 1997 the USAID created a partnership program for Polish local government units under the name of the Local Government Partnership Program (LGPP). Apart from local governments, this program financed Polish consulting firms and non-governmental organizations which supported municipalities in improving financial management (they also helped to implement activity-based budgets), restructuring of municipal services, the implementation of programs to improve creditability and programs of social participation in public management. All these initiatives were based on activity-based budgets and multiannual planning (multiannual financial plans and multiannual investment plans). It should also be noted that the United States Agency for International Development and the Foundation in Support of Local Democracy were among the first, but not the only initiatives of this type in the nineties of the previous century. Various programs were created: international ones (the Ecofund, the Umbrella Program, the Global Environmental Facility Fund), bilateral ones (with Western European countries, the USA, Canada), community programs (for local governments the Fifth Framework Programme), pre-accession funds (ISPA for local governments) and a number of expert centers (the Know-How Fund, The Foundation for Social and Economic Initiatives, the Municipal Development Agency, the Polish Agency for Regional Development, and many others)⁷.

Legislative work on an activity-based budget began in 2005 in the newly created Department of Activity-Based Budget at the Chancellery of the Prime Minister. It was to be prepared for the first time

⁷ Jańczuk L., *Instytucjonalny aspekt rozwoju lokalnego Polsce*. [In:] Praktyczny wymiar demokracji lokalnej. Podmioty, instrumenty i wdrażanie polityk publicznych, A. Kołomycew, B. Kotarba (eds.), Rzeszów: Wydawnictwo Uniwersytetu Rzeszowskiego 2013, p. 131.

in 2009. According to the assumptions, in 2011 the state budget was to be prepared in the activity-based structure, and from 2012 on all entities of the public finance system were supposed to create budgets in the activity-based structure⁸. However, in 2008 the Department of Activity-Based Budget was transferred from the Chancellery of the Prime Minister to the Minister of Finance and its name was changed to the Department of Public Finance Reform. This change was unfavorable to the idea of the implementation of activity-based budgeting in Poland as it decreased the ability of influence and control of other ministries over the implementation of activity-based budgeting. The Minister of Finance, unlike the Prime Minister, does not have special authority in relation to other ministries in the sphere of proper implementation of an activity-based budget. In 2009, another resolution on public finances was enacted, four years after the previous one, which created a legal basis for the implementation of an activity-based budget and multiannual financial planning. The Public Finance Act states that “whenever this Act mentions (...) the activity-based structure – it means accordingly a statement of the state budget expenditures or the costs of a public sector unit prepared according to the functions of the state, representing particular areas of the state activity, and (a) budgetary tasks grouping expenditure according to objectives, (b) budgetary subtasks grouping activities enabling the realization of the task objectives, in which subtasks have been extracted with a description of the objectives of these tasks and subtasks, as well as with basic and target indicators of the degree of realization of the objectives of the state activities, indicating valuable, quantitative or descriptive designation of basic and target effects of the expenditures”.⁹ The Public Finance Act defined the concept of an activity-based budget, at the same time specifying the place, role and objective and subjective scope of an activity-based budget in the public finance system. Amendments from 2010 of the

⁸ Misiąg W., *Czy w 2012 roku będziemy mieli budżet zadaniowy*, „Biuletyn Finansów Publicznych” no. 4(20), 2006, pp. 10-11.

⁹ *Ustawa z dnia 29 sierpnia 2009 roku o finansach publicznych*, art. 2, ust. 3, Dz. U. 2009, Nr 157, poz. 1240 (as amended).

provisions of the Public Finance Act, especially in art. 50, played a special role in the implementation of an activity-based budget. They introduced the principle of compulsory placement in the content of the normative act of the maximum limit of expenditures for the period of 10 years, with the introduction of changes resulting in the change of public expenditure. At the same time, they introduced an obligation for ongoing monitoring of expenditure for tasks that are subject to change, so that the maximum spending limit is not exceeded. It necessitated thinking about activity-based budgeting at the moment of introducing specific solutions. In 2012, budgetary reporting and registry of budget realization in the activity-based structure were introduced¹⁰. The year 2013 was the first budget year to which activity-based budget consolidated planning mechanisms, registration, reporting and supervisory control were fully applied.

Final remarks

An activity-based budget should be a complement to the institutional reform in Poland, but the way of its implementation is not only not the result of the reform, but it also does not even constitute a functional reform. The method of implementing an activity-based budget is a facade, because redundant institutions will always find a task for themselves to justify their existence. What is more, they will easily find indicators to measure these tasks. Liquidation of redundant institutions is today the most difficult challenge in Poland. A necessary condition for the implementation of integrated management

¹⁰ *Rozporządzenie Ministra Finansów z dnia 5 lipca 2010 r. w sprawie szczególnych zasad rachunkowości oraz planów kont dla budżetu państwa, budżetów jednostek samorządu terytorialnego, jednostek budżetowych, samorządowych zakładów budżetowych, państwowych funduszy celowych oraz państwowych jednostek budżetowych mających siedzibę poza granicami Rzeczypospolitej Polskiej*, Dz. U. 2010, Nr 128, poz. 861 and *Rozporządzenie Ministra Finansów z dnia 28 grudnia 2011 r. o sprawozdawczości budżetowej w układzie zadaniowym*, Dz. U. 2011, Nr 298, poz. 1766.

of regional finances in the context of smart specialization of regions in financial terms is financial independence of regions. Only a change of the way of performing tasks by regional communities without providing adequate sources of income violates the essence of the smart specialization policy of Polish regions. It should also be stressed that the budget of regional communities is formed as a result of a compromise between different interest groups represented by the constituting body (a province parliament). The structure of income and expenses and revenues and expenditures shows a hierarchy of objectives which receive political acceptance at the time of the adoption of the budget. This acceptance does not guarantee the rationality of action from the point of view of the interests of regional communities. This is of particular importance in the context of the objectives of the European Union funds for regional development in the financial perspective 2014-2020.

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**The Modernization of the Economy of a Poorly Developed Region
through the Construction of the Knowledge-Based Economy
on the Example of the Lublin Region in Eastern Poland
(2006-2020/2030)**

Abstract

One of the primary objectives of economic policy of regional governments is to stimulate the development of the region and to overcome its development backwardness. In modern times this task is extremely difficult because of the development conditions shaped by globalization and the associated race of states and regions for the greatest innovativeness and competitiveness. A recipe for the economic development of the regions in the modern world is to build an innovative and competitive regional knowledge-based economy. The “new economy” is a great chance for underdeveloped regions, because it can compensate their natural development limitations connected, among others, with the unfavourable location, the lack of developed industry and a poor resource base. The goal of the author of the study is to present the priorities of modern development policy of an underdeveloped region, the authorities of which have decided to choose a path of development involving the construction of the regional knowledge-based economy, on the example of the region of Lublin in Poland, which is one of underdeveloped European regions.

Key words: knowledge-based economy, Cohesion Policy of the European Union, European Union funds, regional development, local governments, poorly developed regions, Eastern Poland.

Introduction

Serious disparities between countries and regions of the European Communities (EC) and the European Union (EU) are one of the largest and also the most difficult to overcome barriers in the process of European integration. In order to limit and gradually eliminate it, European countries for nearly half a century have been using the solutions offered by Cohesion Policy (CP), one of the main Community policies aimed at bridging development gaps within the Community. Despite the gradual improvement of this policy and its increasingly better adaptation to changing social, political and economic conditions in which the Member States of the Community operate, the EU is still a highly diversified group in terms of the socio-economic development. The disparities within the Community deepened with the accession of additional Member States, usually less developed than the funding states, which was a natural consequence of the process of European integration. An important moment in the history of the EC, the EU and CP of interest to us was the fifth EU enlargement by Central European countries from 2004/2007, as a result of which the Community grew in a short time by as many as 12 new Member States.¹ What is also important is the fact that the new EU members were in the large part the countries which had had only recently entered the path of democracy and conducted a spectacular economic transformation building a system of the free market economy from scratch after the disastrous consequences of the experiment with the centrally controlled socialist economy. The new EU Member States, which we point here, also

¹ Cyprus, the Czech Republic, Estonia, Lithuania, Latvia, Malta, Poland, Slovakia, Slovenia and Hungary since 1 May 2004, and Bulgaria and Romania since 1 January 2007. Serious concerns about such a large, one-time enlargement of the European Union were expressed by many countries of the Community, especially those with a shorter membership period, for example, Spain or Portugal, which feared competition of the new members in the use of Community aid.

formed a heterogeneous group, varied in terms of their potential and the socio-economic development level. Among them there were and still are states and regions whose development level is significantly different from other EU countries and regions, as exemplified by the countries such as Bulgaria or Romania. In the group of the least developed regions of the Community there is the majority of Polish regions, including lagging regions of Eastern Poland (EP) with the region of Lublin which is of particular interest to the author of the study.

Today the underdeveloped regions of the EU are facing challenges connected with overcoming their development backwardness in difficult and demanding conditions posed by globalization, and especially the race for greater innovativeness and competitiveness of the economy. One of the main roads to overcome developmental backwardness of underdeveloped regions is the modernization of their economies going towards building the modern and competitive knowledge-based economy (KBE). The “new economy” is a great chance for those regions, because it can compensate their natural development limitations connected, among others, with the unfavourable location, the lack of developed industry and a poor resource base, allowing for the efficient use of possessed capital, e.g. human capital, in other areas where their development will be possible.

The aim of the study is to present the development policy priorities for underdeveloped areas taking the path of economic modernization connected with the development of the regional KBE on the example of one of the least developed regions of the EU, that is Lublin province in Poland. The author of the study conducted an analysis of key strategic documents produced by government bodies of Lublin province and other related entities, paying particular attention to the two latest development strategies of Lublin province – the Lublin Province Development Strategy for the years 2006 – 2020 (LPDS 2020) and the Lublin Province Development Strategy for the years 2014 – 2020: with a 2030 perspective (LPDS 2030) and the Regional Innovation Strategy of Lublin Province to 2020 (RISLP 2020). They are the foundations of new economic policy implemented by the authorities of the region.

The basis for the theoretical and analytical work were primarily documents of the regional government of Lublin, Community documents and national and foreign studies on the KBE and regional development, the selection of which appears in the bibliography.

1. The knowledge-based economy and its regional aspects

The development of the KBE is an interesting and important trend in modern socio-economic changes, to which more and more publications are devoted.² Both the subject and the limited volume of the study do not allow for an extensive presentation of this issue, but it seems necessary to present the objectives of the “new economy” and present its significance for the development of regions, especially regions lagging behind in development.

The emergence of the new orientation of the economy, today called the KBE, is one of the most interesting phenomena which we can observe in the contemporary socio-economic space. The KBE is a momentous in its implications reorientation of the economy, which manifests itself in the gradual transition from the material consuming economy to the economy based on information and knowledge. As a result of this process, as economists believe, the previous competition of countries and regions through material resources is replaced by the competition through non-material resources, and more specifically through knowledge and innovative products. The term Knowledge-Based Economy³ is connected with the emergence of the information society, to which attention was directed in the second half of the 60s of the twentieth century. Described by American sociologist and futurologist Alvin Toffler (1928-)⁴, the creator of the famous technological wave theory, the so-called “third wave” currently represents the post-industrial economy, in which information,

² See selected items of KBE in the Bibliography.

³ Other terms for the KBE are: new economy, knowledge driven economy, digital economy, network economy, e-economy.

⁴ A. Toffler, *Trzecia Fala*, Warszawa: Państwowy Instytut Wydawniczy 1997.

knowledge and all that man is able to attain thanks to them using his intellect are essential. The changes noted by Toffler were a result of the technological revolution of the 60s and 70s of the twentieth century and information technology, the worldwide internet network arising in its effect and the formation of the global economy based on the achievements of modern science, especially of technical sciences. As noted by Daniel Bell, eminent American sociologist (1919-2011), in the modern world “[...] knowledge and information have become a source of the strategy and transformation of society, that is the same as capital and labour in industrial society”⁵.

The breakthrough associated with the transition to a new type of economy, observed today in various parts of the world, is a fundamental change. At an earlier stage, the factors determining socio-economic development were raw materials, labour (the cheapest), developed technical infrastructure, good organization and well-functioning transportation. Economics, as experts believe, focused on describing and improving the processing of certain tangible goods into new material goods. Currently, in times of the spreading knowledge-based economy, which is based on knowledge and innovation, these factors of economic development still count, but they slowly lose their importance giving place to new factors of development, which are mainly highly skilled workers, as well as universities and research centres, IT infrastructure, and created by central and regional authorities conditions conducive to the development of the modern, technologically advanced economy.⁶

Bearing in mind the vital importance of knowledge for the development of regional economies, special attention should be paid to innovative knowledge leading to the emergence of innovations

⁵ Cited in: *Przegląd Zagranicznej Literatury Progностycznej*. Seria Komitetu Polskiej Akademii Nauk, Wrocław-Warszawa, 2 X 1983.

⁶ As Antoni Kuklinski, prominent Polish economist and expert in the knowledge-based economy, believed, the transition to the “new economy” manifests itself, among others in increasing the competitive advantage of countries and regions specializing in the manufacturing of highly processed and technologically advanced products.

which form the basis for the “new economy”. According to Joseph Alois Schumpeter (1883-1950) innovations are a function consisting of creative thinking and action of man.⁷ In the context of changes in the modern socio-economic sphere and the emergence of the KBE, it does not concern a simple understanding of innovation, i.e. the launch of new consumer products, the development of new methods of production, the opening of new sales and supply markets or the introduction of new, more perfect forms of organization⁸. In the context of the KBE the most important issue is that innovativeness overwhelmingly affects and ultimately shapes the regional economic sphere. In the region innovations initiate a process which is important for its development, and which consists of not only the final result (e.g. a particular product or organizational innovation), but also any actions preceding the creation of the specific innovation, i.e. the idea/concept, R & D and design works, manufacturing, marketing and the spreading of the innovation. Therefore, today we are talking about a dynamic innovation process, which can be described as “[...] a string of interactions from the emergence of the innovation idea to its implementation and dissemination, the aim of which is a product, technological, organizational and social change. This process is characterized by a new way of applying science and technology, ensuring a market success”⁹. This process is of key importance for

⁷ Innovations are a result of collected information and knowledge created on its basis, then used in a practical way. We can differentiate the following kinds of innovations: technical, technological, marketing and organizational. Innovation is also a learning process, in which both individual companies, society, including regions that can accumulate knowledge and decide on its use, participate. The development of innovations is also influenced not only by technological progress, but also by changing expectations of consumers of goods and services and competition in the market (see F. Krawiec, *Zarządzanie projektem innowacyjnym produktu i usługi*, Warszawa: Diffin 2000, p. 22.).

⁸ See J.A. Schumpeter, *The Theory of Economic Development*, Cambridge: Harvard University Press 1934.

⁹ See E. Szal, U. Zdanie, *Innowacyjność w regionalnej Gospodarce Opartej na Wiedzy*. [In:] M. Czerniejewska-Rutkowska, E. Karasiński (eds.) *Innowacyjność oknem na świat*, Łódź: Łódzkie Towarzystwo Naukowe 2004, p. 101.

the socio-economic development of those regions which have chosen the path of modernization connected with the KBE.¹⁰

Writing about the importance of innovations for the development of the KBE and the regions which follow the “new economy” modernization path, it should be emphasized that technical innovations (process and product ones), especially innovations related to ICT, are of particular importance for the development of the regional KBE. As for the latter, they initiated new branches of the economy and related services, bringing companies using them measurable benefits and competitive advantage in the market, and consequently also the economic development of regions and the improvement of their competitiveness. The innovation and technological progress and changes it causes in the regional economy emphasize the key importance of science for economic development, and especially of technical sciences. We cannot forget that the source of innovation is scientific knowledge created in universities of the region. As experts note, the progress in technological research requires a high level of basic and applied research.¹¹

It should also be borne in mind that the use of knowledge, even innovative knowledge, in the process of stimulating the region’s economic development does not lead in a simple way to the creation of the regional KBE. The economy of this type has the chance to emerge only when “the use of innovative knowledge leads to achieving increasing market successes and economic benefits in these sectors of the economy in which they are dependent on the absorption

¹⁰ Of particular importance for the economic development of Polish regions, especially underdeveloped regions, are technical innovations (process and product ones), mainly in the area of ICT.

¹¹ The impact of technological knowledge on the innovation progress raises legitimate objections of economists who point to the negative effects of inappropriately organized research and implementation activity, the decreasing efficiency of the linear model of knowledge production and its use for technological purposes and the increasing importance of political factors during the transfer of technological knowledge (Z. Chojnicki, T. Czyż, *Aspekty regionalnej gospodarki opartej na wiedzy. Podejście regionalne*, „Przegląd Geograficzny”, vol. 75, no. 1(2003), p. 14.

of technological progress and which become more relevant.”¹² The effective utilization of knowledge in the construction of the KBE occurs primarily through regional innovation systems, that is a specially built network of institutions of different types, which are able to transfer knowledge to both the economic sphere, as well as its social and institutional environment. An extremely important role in providing knowledge needed for the development of the regional KBE, especially innovative knowledge, is played by foreign capital and related investments which are located in the area of developing regions. The inflow of this type of capital, especially technologically intensive capital, generates revenues of the region, has a positive effect on the modernization of its economic structures and stimulates economic growth, which is very beneficial for the development of the KBE.¹³ It should be recalled that the economic development associated with the construction of the “new economy” slowly translates also into the significant improvement of the affluence and living conditions of the inhabitants of the region, which is particularly important in the case of disadvantaged areas.

The crucial importance of science and specialist knowledge for the economic development of countries and regions does not raise any doubts today and meaningfully demonstrates that traditional economic factors such as natural resources, labour and capital have been substituted in the twenty-first century by knowledge, which has become the main source of wealth and the basis of progress. “Knowledge, however, is more than just the next critical factor of production. From an economic perspective, it has two roles: it is a source of renewal and is also the glue that binds and co-ordinates other factors of production”.¹⁴ The importance of knowledge for

¹² Z. Chojnicki, T. Czyż, *Aspekty regionalne...*, p. 28.

¹³ See T. Pakulska, *Podatność innowacyjna Polski na napływ zagranicznego kapitału technologicznie intensywnego*, Warszawa: Szkoła Główna Handlowa w Warszawie 2005, pp. 7-8.

¹⁴ P. Schwarz, E. Kelly, N. Boyer, *The Emerging Global Knowledge Economy*, [In:] *The Future of the Global Economy – Towards a Long Boom?*, Paris: OECD, p. 80.

economic development also stems from the fact that its resources are in practice inexhaustible, and that it is characterized by the dynamics of increasing returns, unlike in the case of traditional economic factors.¹⁵ The providers of knowledge are primarily scientists affiliated with universities and research and implementing institutions. For this reason, what is important is the proper funding of scientific research activities by the state and business entities. Its location plays today an important role in the economic development of regions. As economists believe, the pace of development of the regional economy is largely a function of increasing outlays on education, research and development and innovations.¹⁶

The regional KBE cannot be built without high-quality human resources and modern education keeping pace with changes in the socio-economic sphere. Noting the quality of human resources we have in mind the individuals with both knowledge and skills useful for enterprises and institutions of the region. These people should be properly educated by regional educational institutions, especially the universities of the region. How should we understand such education? It concerns mainly the education meeting the needs of the contemporary state and its economy, necessarily taking into account the use of ICTs, sensitive for the need for self-education (also “learning how to learn”), including lifelong learning, making citizens aware of the transformation of the contemporary socio-economic sphere and the reorientation of the modern economy (KBE). An important aim of the education understood in this way is encouraging the public to actively participate in the transformation of the regional socio-economic sphere. Regional educational institutions at all levels, and especially at the academic level, must meet these and other goals of the modern education system, since academic knowledge, scientific knowledge is now a major source of innovation, on which the “new economy” is based. Academic education is “a basic process creating human capital and determining the effectiveness of its impact on changes of the structure and development of the economy

¹⁵ Ibidem, p. 85.

¹⁶ See Z. Chojnicki, T. Czyż, *Aspekty regionalne...*

and the formation of the KBE (...).¹⁷ The possession, and skilful management of high-quality human resources is one of the most important assets of the region, especially underdeveloped region, as long as it has such resources. Thanks to human capital, region local authorities can influence the development of the region and build a modern and competitive regional economy.

The most important determinants of the KBE include human capital, scientific research institutions and educational institutions, financial and crediting institutions, innovativeness and ITC infrastructure. The last of the identified determinants of the “new economy”, connected with information and communications technologies, is especially important. ICTs have enabled the unlimited exchange of information and knowledge constituting a basis of contemporary social and economic changes. It should be emphasized that these determinants of the KBE interact with one another and, depending on their condition, contribute to a lesser or greater extent to the development of the “new economy”. Since the beginning of the 90s of the twentieth century a unique role in ICT infrastructure has been played by the Internet, which has allowed widespread and unrestricted exchange of data, information and knowledge, radically improving communication, and at the same time dramatically reducing the costs and time associated with it. It has intensified the flow of information, knowledge and contacts both between people but also between scientific research and implementing institutions, which constitute a forge of ideas for the “new economy”. For this reason, the Internet has quickly become one of the main forces initiating and supporting the contemporary changes of the socio-economic sphere and the driving force of the KBE¹⁸.

¹⁷ Ibidem, p. 16.

¹⁸ A sign of the formed regional KBE is, according to economists, recorded economic growth of the regional economy in which outlays on research and development and the sphere of education grow faster than investment in fixed assets or the achievement of 50-60% share of total productivity factor (TPF) in the growth of GDP, which, however, we encounter only in the most developed and competitive regions in the world. (W.M. Gaczek, *Gospodarka oparta na*

According to economists, there is an unquestionable relationship between the degree of economic development of countries and regions, and the advancement of the KBE.¹⁹ In highly economically developed regions, we see the well-developed KBE growing out of the manufacturing and services sectors, which are based on modern technologies, especially ICTs and innovations, engaging at the same time highly qualified human resources. In such areas there are usually also organizational and institutional conditions which are conducive to the development of the modern and competitive economy, and which are created by central and regional authorities aware of the importance of the occurring changes. These regions manage well in the rapidly changing conditions brought about by globalization. In contrast, regions lagging behind in development, such as regions of Eastern Poland which are of interested to us, are characterized by a low level of economic development and difficulties in the construction of the “new economy”. There are many reasons for this state of affairs, but the development of the KBE is the only real chance for these regions to get rid of development backwardness and to achieve a leap forward in civilisation.²⁰ The possibilities of building the regional KBE are undoubtedly conditioned by the specificity and potential of the region. Not every region will be an area where there are favourable conditions for the construction of the new type of economy based on innovation. The best conditions for building the KBE will occur in regions which are already developed and competitive. A competitive region is in fact a region which “[...] is able to adapt to changing conditions more rapidly than other regions, thereby achieving improvement of its position in the

wiedzy w regionach europejskich (Knowledge-based Economy in the European Regions), Studia Komitetu Przestrzennego Zagospodarowania Kraju, vol. CXVIII, Warszawa 2009, p. 27).

¹⁹ See K. Porwit, *Cechy gospodarki opartej na wiedzy (G.O.W.), ich współczesne znaczenie i warunki skuteczności*, [In:] A. Kukliński (ed.) *Gospodarka oparta na wiedzy. Wyzwanie dla Polski XXI wieku*, Warszawa: Komitet Badań Naukowych 2001, p. 111 ff.

²⁰ Cf. Z. Chojnacki, T. Czyż, *Aspekty regionalne....*, p. 22.

competition among regions”.²¹ Ultimately, these regions, which are able to properly use their human resources and knowledge provided by universities will have the greatest chances to build the regional KBE. Polish underdeveloped eastern provinces, including the region of Lublin, now have the unique opportunity to catch up in the key development areas and catch up with the averagely developed EU regions in the long-term, which in their case will be a major achievement. This goal will be achievable for the specified group of regions, provided that they are able to optimally utilize their resources, especially human resources and knowledge resources and consistently follow the path of development which is set by the KBE.

2. Development disparities within the European Union

According to the latest statistical data of the EU’s statistical agency, Eurostat, presented in February 2014²², development disparities between the most and least developed countries and regions of the Community are still enormous. This situation gives rise to legitimate concerns of the EU executive bodies responsible for the implementation of CP, as well as of the authorities of the Member States of the Community, especially of the less developed countries. Development disparities within the EU are portrayed mostly with the help of Gross Domestic Product (GDP) which expresses the aggregate value of final goods and services produced in a given area within a specified period of time. According to the Eurostat data, at the top of the ranking of European regions are regions in which GDP per capita is close to or exceeds 300% the EU average as it is in

²¹ W.M. Gaczek, Z. Rykiel, *Konkurencyjność regionów a regionalizm ekonomiczny*, [In:] *Polityka regionalna i jej rola w podwyższaniu konkurencyjności regionów*, M. Klamut, L. Cybulski (eds.), Wrocław: Wydawnictwo Akademii Ekonomicznej im. Oskara Langego 2000, p. 42.

²² It concerns the compiled data from 2011. See *GDP per capita in the EU in 2011: seven capital regions among the ten most prosperous*, Eurostat Newsrelease 29(2014), 27 February 2014.

the case of, for example, the City of London (Inner London, 321%) and Luxembourg (266%). At the opposite side of the ranking there are regions whose GDP per capita amounts to approximately only 40% of the Community average, and at the end of the list there are regions with 29% of the Community average, as it is in the case of the Romanian North-Eastern Region and Bulgarian Northwest Region²³. Counteracting maintaining or, worse, deepening of such large disparities in the EU is one of the most important objectives of the Community Cohesion Policy (CP), including the recent development strategies of the Community assuming catching up by the EU and its regions with the level of development of the largest economic and technological powers of the modern world. These ambitious targets formulated at the European Council summit in Lisbon in 2000 are reflected in the Lisbon Strategy (LS, the renewed Lisbon Strategy since 2005), miserably realized in 2000-2010, as well as in the current development strategy of the EU “Europe 2020”.

The expansion of the gap between the EU Member States of the most developed countries in the world such as the United States, Japan and the rapidly developing countries of the Far East (so-called Asian tigers) started to be clearly visible at the end of the 90s of the twentieth century. The economic and technological development of the indicated powers, especially the United States, took place quite unexpectedly due to the acceleration of the economic and technological development caused by the rapid spreading of a new type of economy based on knowledge, particularly on ICTs related to the rapidly growing computer industry. The LS, proposed by the EU leaders at the Intergovernmental Conference in Lisbon, was a response to new trends in the economy valuing knowledge, human and intellectual potential and ICTs affecting the rate of transfer of information and knowledge. The ambitious, and as it quickly appeared too difficult to achieve, objectives of the LS made EU decision-makers realize that winning and maintaining the Community

²³ 44% in the case of Lublin province of interest to us (increase by 10 percentage points since Polish accession to the EU and comparing GDP per capita of Lublin region at the level of 34.5% in 2003).

position as the world economic and technological leader would be a great challenge for its Member States. Of course, this objective cannot be achieved without harmonious development of the whole Community and its regions. A way to greater innovativeness and competitiveness of the EU and its Member States is widely understood modernization of the socio-economic sphere for which the most important is the creation of a modern and competitive KBE in the regions of the Community.

The Euro-region Euregio is a good example of the successful modernization of the socio-economic sphere and civilizational advancement of a retarded European region. It was created in 1958 and was the first cross-border agreement between cities, counties and municipalities covering the area in the vicinity of the cities of Münster and Emschede in Germany and the Netherlands.²⁴ The reason for the creation of the indicated Euro-region and starting modernization of its socio-economic sphere were social and structural problems occurring in this area. They resulted from the underdeveloped economic structure of the region (traditional textile industry) with dominant agriculture. Paradoxically, this cooperation between Dutch and German local governments was also facilitated by the development problems and the resulting social problems. We have here in mind primarily the poverty of society in the area of interest to us at the time when the Euro-region was established, including a deficit of jobs connected with high unemployment. The Euro-region has become an example not only of exemplary integration of societies within the European Communities, but also of fruitful economic cooperation, and above all of successful restructuring of the regional economy.²⁵ The region with a modern, highly innovative and

²⁴ EUREGIO covered the area located on the German-Dutch border, between the rivers Rhine, Ems and Rijn. Soon after that next Euro-regions were created: Rhein-Waal (1963), Mass-Rhein (1976), in pursuit of the same goal, i.e. the removal of barriers resulting from the existence of borders between countries and strengthening of economic cooperation between European regions.

²⁵ The EUREGIO Association brought to life common, cross-border institutions: the Regional Assembly – Euregio Council, the Bureau and the Secretariat to

competitive economy was built on the basis of the consequently enlarged economic infrastructure in the region over the decades.

Euregio can be a model for other regions, especially regions lagging behind, in terms of the effective transfer of scientific knowledge, innovative knowledge, to companies in the region, which can thus be successful in both regional and international markets. In the case of the Euro-region of interest to us, technologically advanced, innovative products which successfully competed in the markets were the keys to its success. Currently Euregio associates together more than 140 municipalities, cities and counties inhabited by nearly 3.5 million people and bears no resemblance to the cross-border self-government association of the late 50s and 60s of the previous century.

3. Contemporary conditions of the development of Lublin province

Regions of Eastern Poland, including the region of Lublin of special interest to us, are classified as underdeveloped regions, which are characterized by both low economic indicators, as well as similar problems and constraints of development. According to Eurostat, Polish eastern provinces, despite the progress made by their governments in recent years in the modernization of the regional socio-economic sphere, especially in connection with Polish accession to the EU and implementation of Community CP, are still in the group of the least developed regions of the Community. These regions have very limited chances for a fundamental change of their situation, namely to effectively reduce the gap separating them from developed regions.²⁶

act as executive bodies, joint thematic working groups and committees for economy, transport, social welfare, agriculture, technology, spatial order, education, sport and culture, and tourism. It was also necessary to establish a new organization system in regional institutions and to develop new mechanisms of cooperation.

²⁶ At the moment of Polish accession to the EU in 2004 Lublin province, together with Subcarpathian province, was classified as the least developed region in

The region of Lublin traditionally ranks at the end of the ranking of EU regions having one of the lowest GDP per capita in the Community (currently 44%), forcing its local government to undertake modernization actions aimed at improving efficiency, innovativeness and competitiveness of the economy of Lublin province. Lublin province is a typical example of a disadvantaged region not only because of low economic indicators, but also because of related problems faced by local authorities of the region, local businesses, and its inhabitants. It requires a profound transformation of the socio-economic sphere and the construction of the innovative and competitive KBE.

At the time of the adoption of the new development strategy of Lublin province corresponding to the conditions and challenges of Polish membership in the EU, which took place in the first decade of the twenty first century, the social and economic situation in the region did not inspire with optimism. After Polish accession to the EU (2004) the province instantly ranked at the very bottom of the ranking of European regions with the lowest GDP. The conditions and diagnosis of the initial state of the newly prepared Lublin Province Development Strategy for the years 2006-2020 (LPDS 2020)²⁷ pointed out a few strengths and many weaknesses of the region which are fundamental to the modernization of its socio-economic sphere. Among few strengths of the region, conducive to the construction of the regional KBE, the following were enumerated: increasing use of information technology in enterprises of the region, relatively well-developed and diverse potential of the regional scientific research base encompassing independent research institutes and universities (with rich resources of young and well-

the Community (35% of the EU average GDP per capita). After 10 years of Polish membership in the Community, the situation in the Lublin region has improved significantly, as shown by the latest statistics from Eurostat. See Eurostat Newsrelease 29(2014).

²⁷ See *Strategia Rozwoju Województwa Lubelskiego na lata 2006-2020*, Lublin: Zarząd Województwa Lubelskiego 2005, vol. II (Objectives and priorities of the strategy and the implementation system), pp. 7-18.

educated academic personnel), the positive attitude of entrepreneurs to innovations (with considerable independence in their funding), and the existence of the seeds of an institutional system for the transfer of knowledge and the promotion of innovative solutions in enterprises (Lublin Science and Technology Park, industrial parks, Innovation Transfer Centre, or Lublin Capital Fund).²⁸ According to the authors of the LPDS 2020, these were insufficient foundations for the planned modernization of Lublin province, which showed what great tasks will be faced by the local government and society in the coming decades.

The authors of the LPDS 2020 drew attention to a number of instances of developmental backwardness of Lublin province influencing its development potential and hindering the modernization of the regional economy, i.e.:

- unfavourable economic structure of the region with the dominance of traditional sectors, particularly obsolete agriculture and a small share of sectors of high and medium-high technology in manufacturing and services, with a dominant share of less processed and traditional products in export;
- low level of innovation and technological gap in the manufacturing sphere of companies in the region in comparison with the global level, and the low level of advancement of new technologies and of technical progress implementation;
- low product and technological competitiveness of enterprises combined with their relatively low level of innovation;
- unfavourable employment structure and too large share of the agricultural sector in the employment structure and a small share of the service sector, including market services in the creation of gross value added;
- underdevelopment of broadband ICT infrastructure resulting in the limited use of the Internet;
- maladjustment of the offer of the research and development sector to the demand for innovation;

²⁸ Ibidem, vol. I, pp. 56-57.

- state and development of business environment institutions, especially in smaller towns and in the countryside, insufficient in comparison with the needs;
 - low competitiveness of the region and a low share of direct foreign investments on its territory;
 - slow pace of economic restructuring and the limited ability of entities to co-finance economic projects with EU funds;
 - low quality of management and insufficient number of quality certificates in enterprises;
 - shortage of equity in companies linked to the difficult access to external financing,
- and including what is especially important for the innovativeness of the economy of Lublin province:
- low level of funding for research and development in the region in relation to GDP and per person employed in the R & D sector;
 - high degree of wear of scientific and research equipment in research and development units in the region;
 - insufficient development of knowledge transfer infrastructure and commercialization of the results of research and development²⁹.

The above overview of the weaknesses of Lublin province drew a pessimistic picture of the situation in the region and showed the challenges which the local authorities of the region had to face when adopting the LPDS 2020. This was particularly important in the context of Polish newly acquired membership in the EU, the guidelines for the Community CP and the possibilities given by the EU system of structural support. New economic policy, adopted by the local government of Lublin province, aimed at the modernization of the regional socio-economic sphere, consistent with the assumptions of the KBE, gave the Lublin region a real chance to overcome the identified development backwardness and to improve the living conditions of the inhabitants of the region.

²⁹ See *ibidem*.

4. New economic policy of local government of the Lublin Region

The modernization of the socio-economic sphere, including the development of the modern and competitive economy of Lublin province is connected with the construction of the regional knowledge-based economy. In this type of region, as Lublin, there is no alternative to the ambitious, challenging and achievable in the long term task of building the modern knowledge-based economy. As the examples of many countries and regions show, it gives a real chance to overcome development backwardness and to achieve social and economic development in the areas covered by the new economic policy. In the case of Lublin province, which ranks among the least developed regions of Poland and the EU, the KBE construction is the only chance for the effective economic and civilization development of the region and the improvement of its competitiveness.

The modernization of the regional socio-economic sphere in regions of eastern Poland, including Lublin province, is a great challenge for the state and local authorities and other entities of the socio-economic sphere. It required the introduction of major changes in the previous economic policy. Their aim was the modernization of regional economies of provinces we are interested in, directed towards building the innovative and competitive KBE. This new economic policy of local authorities of Lublin province, focused on building the knowledge-based economy in the province, eventually crystallized at the moment of Polish accession to the EU and receiving structural support from the Community. However, its origins can be found earlier, pointing to the Lublin Province Development Strategy (LPDS) prepared at the turn of the twentieth and the twenty first century, more precisely in 2000, by the regional government of the province.³⁰ The work on the next development strategy, effective until recently, the Lublin Province Development Strategy for

³⁰ *Strategia rozwoju województwa lubelskiego*, J. Polski (ed.), Lublin: Urząd Marszałkowski Województwa Lubelskiego 2000.

the years 2006-2020 (LPDS 2020)³¹, prepared in 2005 and updated in 2009³², started at the end of the pre-accession period, when the primary task of public authorities was the best preparation of Poland for the membership in the EU. This also applied to local authorities of Polish eastern regions, which started to pay special attention to the broadly understood modernization of the region, and in particular the modernization of the regional economy and the related planning.

The basis for the LPDS 2020 was a report prepared on the basis of the data and analyses from the late 90s of the last century, which contained a detailed analysis of conditions of the development of the region in strategic areas.³³ The LPDS 2020 implemented from 2006 to 2014 was a long-term document which established the goals and directions of the development of Lublin province for next decades.³⁴

³¹ *Strategia Rozwoju Województwa Lubelskiego na lata 2006-2020*, Lublin: Zarząd Województwa Lubelskiego 2005, vol. I (Conditions and the diagnosis of the initial state) and II (Objectives and priorities of the strategy and the implementation system).

³² *Strategia Rozwoju Województwa Lubelskiego na lata 2006-2020*, Lublin: Zarząd Województwa Lubelskiego 2009, vol. I (Annex to vol. I Strategy: Conditions and the diagnosis of the initial state), vol. II (Objectives and priorities of the strategy and the implementation system).

³³ See *Strategia Rozwoju Województwa Lubelskiego. Raport – bilans otwarcia*, (ed.) A. Zdunek, Lublin: Biuro Planowania Przestrzennego 2000. This report was the basis for the preparation of the referenced development strategy of Lublin province of 2000, which the local government of the region adopted on 14 July 2000. (*Strategia rozwoju województwa lubelskiego*, ed. J. Polski, Lublin: Urząd Marszałkowski Województwa Lubelskiego 2000).

³⁴ The LPDS 2020 was adopted by *Resolution No. XXXVI/530/05 of 4 July 2005 by the Lublin Province Council*. The authorities of the province were obliged to prepare the strategy by the *Act on the provincial self-government dated 5th of June 1998* (Dz.U. 1998, Nr 91, poz. 576). It imposed on local authorities of the region a duty to undertake actions aiming at the broadly understood development of the region, which included, among others, stimulating economic activity, creating conditions for economic development, supporting the development of science and cooperation between science and the economy, promoting technological progress, as well as increasing competitiveness and innovativeness of the regional economy.

It became a basis for all pro-developmental activities in the region co-financed both from the national funds and from the European Union Structural Funds³⁵. After ten years of the implementation of the LPDS 2020, in connection with the changing conditions of domestic development and the EU economic policy, it became necessary to prepare an updated, new development strategy of Lublin province. It is the Lublin Province Development Strategy for the years 2014-2020: with a 2030 prospect (LPDS 2030), passed by the Lublin Province Council on 24 June 2013.³⁶ Both in the LPDS 2020 and in the LPDS 2030 special importance for the development of the region was assigned to the European Union Structural Funds. Since Polish accession to the EU, the Structural Funds have been a major source of financing of the development of Lublin province. In the next programming periods, that is 2007-2013 and 2014-2020, Poland and its regions have gained even bigger financial support for development. From the beginning, the implementation of the LPDS 2020 and its continuation LPDS 2030 has been supported with these funds within national and regional Operation Programmes (OP).

Within the LPDS 2020/LPDS 2030, the local authorities of Lublin province undertake activities the aim of which is the gradual initiation of a number of developmental processes in the territory of Lublin province. The basic premise of this development policy is the gradual improvement of the competitiveness of the region, which is to be supported by the maximum utilization of the potential and development capabilities of the province. According to the regional development policy presented in the LPDS 2020, Lublin province should become the region with the competitive economy,

³⁵ The LPDS 2020 was included in national strategic documents, including in the *National Development Strategy for 2007-2015*, Warsaw: Ministry of Regional Development 2006; *The National Strategic Reference Framework for 2007-2013 (National Cohesion Strategy)*, Warszawa: Ministry of Regional Development 2006, *Strategy for Socio-Economic Development of Eastern Poland to 2020*, Warszawa: Ministry of Regional Development 2008.

³⁶ *Strategia Rozwoju Województwa Lubelskiego na lata 2014-2020 (z perspektywą do 2030 r.)*, Lublin: Urząd Marszałkowski Województwa Lubelskiego 2013.

the region of society based on knowledge, the territorially cohesive region, the region which is efficiently managed and open to international cooperation³⁷. In order to ensure the greatest efficiency of the strategies, they are implemented by means of various instruments, such as development programmes, multiannual investment plans, the Regional Innovation Strategy of Lublin Province to 2020 (RIS-LP 2020), projects of interregional cooperation, projects of public-private partnership, province contracts, sectoral programmes of individual ministries and also projects realized with the participation of the European Union Structural Funds within national and regional OPs. The main goal of the LPDS 2020 was “the achievement of stable and sustainable socio-economic development of Lublin province through increasing the competitiveness of the province and the optimal utilisation of its internal development potential”³⁸. In the currently implemented LPDS 2030, four strategic development goals of Lublin province in the perspective of 2030 are indicated, that is: I. Strengthening of the urbanization of the region; II. Restructuring of agriculture and development of rural areas; III. Selective increase in the potential of knowledge, qualifications, technological advancement, entrepreneurship and innovativeness of the region; IV. Functional, spatial, social and cultural integration of the region.³⁹

The analyses of weak and strong points of the Lublin region economy, conducted for LPDS 2020, show that its low level of competitiveness is influenced by many factors, mainly structural ones. The most important of them according to the LPDS 2020 are: the detrimental employment structure in the economy, the dominance of the little effective agricultural sector and the insufficiently developed market service sector. They are accompanied, according to the authors of the LPDS 2020, by the underdevelopment of the production sector with a predominance of traditional industries which produce little processed goods and the absorbency of research and development work. The low degree of innovation of the Lublin

³⁷ See LPDS2020, update 2009, vol. II, pp. 27-32.

³⁸ LPDS, update 2009, vol. II, p. 33.

³⁹ LPDS 2030, pp. 40-41.

province regional industry is evidenced by the insufficient number of technologically advanced products, a high degree of depreciation of productive assets and insufficient investment outlays on the reproduction and modernization of the production base. The unfavourable conditions for economic development and competitiveness of the region's economy are determined largely by underdeveloped transport and telecommunications infrastructure, the underdeveloped institutional and financial systems of supporting entrepreneurship and innovation in the region, as well as too little engagement of the research and development sphere in the regional economy. All this translates into the low level of social development of the region and the related negative trends such as the aging population, emigration of people of working age, or a negative image of Lublin province.⁴⁰

The experts preparing the LPDS 2020 and LPDS 2030 based the Lublin province development policy on the assumptions of the KBE. The consent of the local authorities of the region to the adaptation and continuation of such a path of economic development testifies to the maturity of the local government and its determination at modernizing the province of Lublin in the spirit of the guidelines offered by the EU CP and the new development strategy "Europe 2020". The indicated direction of the modernization activities appeared with Polish accession to the EU and was reflected in the LPDS 2020 prepared at that time. In this document, particular attention was paid to strengthening the fundamental determinants of the "new economy", including the R&D sphere, innovativeness of the regional economy and information society.⁴¹ According to the assumptions of the LPDS 2020, the modernization of the economy of the region in line with the KBE will lead to the situation in which in the

⁴⁰ The analyses of the LPDS 2020 and 2030 note, among others, low quality of life and impoverishment of the region's inhabitants, unsatisfactory level of education and inadequate adaptation of the knowledge and skills of citizens to the requirements of the labor market, low employment rate, accompanied by poverty and social exclusion evident especially in rural areas.

⁴¹ See LPDS2020, 2005, vol. I, pp. 47-55.

future it will be the economy characterized by the high intensity of investment layouts on research and development, extensive use of ICTs and high qualifications of employees. The share of the manufacturing and service sectors based on knowledge in value added and exports, according to the authors LPDS 2020, should become in the future one of the main determinants of the modern economy of Lublin province. The consistent implementation of this course of the modernization action should, according to the authors LPDS 2020, lead to a situation in which the economy of Lublin province will clearly resemble the economies of the developed regions of the EU, which should be accompanied by, first of all, reducing the share of agriculture and traditional sectors in the creation of value added and employment, while increasing the share of areas related to advanced technologies, protection of the environment and health, as well as modern tourism. The modernization of the Lublin province economy, to which we pay special attention today, requires its specialization in specific manufacturing and service niches. The potential of the region of Lublin provides opportunities for such economic specialization in the fields of, among others, high quality food production, renewable energy or specialist services provided in cooperation with global companies and regional scientific research centres.

One of the desired effects of such a direction of development of the economy of Lublin province should be, as highlighted in the LPDS 2020, a clear improvement in the condition of society of the region, which plays a key role in the transformation of the social and economic sphere and building the knowledge-based economy. The condition for the success of the construction of this type of KBE in such a region like Lublin is the effective activity directed towards increasing the employment and improvement of the living conditions of inhabitants of the region. The LPDS 2020 emphasizes the need to stimulate economic development and create new jobs in Lublin province related primarily to the future-oriented sectors of the economy, closely linked with the directions of smart specialization of the province. Bearing in mind the issues of employment and new jobs, the LPDS 2020 stressed the importance of the quality

of human capital and better adaptation of employees to changing conditions and needs of the labour market in times of globalization. This is possible only through a fundamental improvement in the quality of vocational and academic education, as well as through the development of various forms of continuous education taking into account the development of information society which should use a wide range of ICTs.⁴²

5. The support for building the regional Knowledge Based Economy in the Lublin Province Development Strategy for the years 2006-2020 and 2014-2020 (with a 2030 perspective)

The modernization of the regional socio-economic sphere and the KBE construction are among the most important goals of the LPDS 2020 and LPDS 2030. For the full presentation of the economic policy of local authorities of Lublin province it is necessary to analyze both mentioned strategic documents in terms of the modernization of the regional economy and building the KBE. It should be borne in mind that these strategies are interrelated and delimit basic stages of the socio-economic modernization of Lublin province from Polish accession to the EU until 2030. The author of the study draws attention to the priorities, strategic and operating goals of the LPDS 2020 and LPDS 2030 which, in his opinion, are of utmost importance for the development of the regional knowledge-based economy in Lublin province.

⁴² The preparation of human resources for the knowledge-based economy requires from regional government the implementation of appropriate population policy, aimed at reducing negative demographic trends connected with the aging and emigration of the population of the region. In the LPDS 2020 the main elements of this policy are support for the family and concern for improving health and fitness of inhabitants of the region by increasing access: to health services and mass development of sport and physical culture.

I. The Lublin Province Development Strategy for the years 2006-2020

The LPDS 2020 identifies four key development priorities of Lublin province and the related operational objectives within which actions were formulated which are guidelines for modernization initiatives related to the construction of the innovative and competitive knowledge-based economy. The document indicates the preferred direction of modernization activities for both the local authorities of the region and the entities of the regional socio-economic sphere cooperating with them and supporting the transformation of the Lublin province economy in accordance with the assumptions of the KBE.

Courses of action of the LPDS 2020 supporting the development of the KBE in Lublin province:

Within Priority I: ***“Increasing the competitiveness of the regional economy and its ability to create jobs”***

The modernization of the structure of the regional economy and increasing its competitiveness are key challenges faced by the region of Lublin. The new development policy of the region focused on building the KBE tries to rise to them. The success of the KBE construction depends on effective implementation of the guidelines of this Priority. The conducted analyses of the strengths and weaknesses of the region's economy show that the low level of its competitiveness is influenced by many factors, mainly of a structural nature, namely – the detrimental employment structure in the economy, the dominance of the little effective agricultural sector and the insufficiently developed market service sector. They are accompanied by the underdevelopment of the production sector with a predominance of traditional industries which produce little processed goods and the absorbency of research and development work. The underdevelopment of transport and telecommunications infrastructure in the region, as well as the poorly developed system of institutional and financial support for entrepreneurship and innovation in the region,

with little involvement of local R&D potential very negatively influence the competitiveness of the Lublin province economy.

The change of the economic structure of the region is a challenging and time consuming task. Increasing the share of manufacturing and service disciplines based on knowledge in value added and in exports will be one of the main indicators of growth of modernity and competitiveness of the economy of Lublin province. The basis for these goals are adequate outlays on research and development, extensive use of new information and communication technologies and highly qualified employees. As a result of the implementation of this economic policy, the region will slowly become similar to the economies of developed EU regions, which will result in the reduction of the share of agriculture and traditional sectors in the creation of value added and in employment, while increasing the share of areas related to advanced technologies, protection of the environmental and health, as well as recreation and leisure. It should be added, moreover, that the modernization of the Lublin province economy is connected with the strengthening of the regional specialization in certain production and service niches. Given the potential and resources of the region, the areas of this specialization are: production of high-quality food, the development of renewable energy sources and the development of specialized services in cooperation with global companies and national and foreign scientific research centres.

Priority 1 and the related directions of development of the region are achieved through the implementation of 6 operational objectives aiming at the gradual elimination of the weaknesses of the region's economy and strengthening those elements and areas of economic development, which in the long run will help to shape the competitive profile of the KBE, able to reduce in the long term the gap between Lublin province and developed regions.⁴³

Operational objective 1.1: *“The restructuring of traditional sectors of the regional economy and adapting it to the rules of*

⁴³ See LPDS2020, 2009, vol. II, pp. 42-49.

the common market". Operational objective 1.1 is connected with activities supporting restructuring and modernization of enterprises operating in traditional sectors of industry and services. They consist in supporting the technological modernization of enterprises and their adaptation to the EU requirements pertaining, among others, to the environment protection, safety and competition, with particular reference to the modernization of the energy sector in order to satisfy the energy needs of the region during its transformation and construction of the KBE (including the use of energy from renewable sources).

Operational objective 1.2: *“Developing and improving the competitiveness of the regional agribusiness”*. Operational objective 1.2. is connected with activities aiming at the fundamental modernization of the low efficiency of the agricultural sector and the support for the related food processing industry. Their goal is the improvement of the efficiency of the agricultural sector, as well as its innovativeness and competitiveness, which should lead to improving the efficiency of the whole sector and generation of higher revenues by it. Bearing in mind the development of the knowledge-based economy in the region, the increase of the technological competitiveness of the regional food industry, the strengthening of innovation and R&D activity for the modernized agricultural sector are pursued.

Operational objective 1.3: *“The specialization of the province in selected manufacturing and services sectors characterized by a high level of competitiveness”*. Operational objective 1.3 is connected with activities strengthening the internal development potential of the region, which with proper orientation, in the long term, will lead to the emergence of the competitive knowledge-based economy with a profile resulting from the specialization of Lublin province (production of high-quality food, biofuels and energy from renewable sources, highly specialized services, tourism, education of personnel for the European labour market). We should also point out here, among others, the actions in support of EcoEnergy production from renewable sources, production and services in highly specialized

industries (outsourcing, information technology and business services), the regional system of higher education and cooperation between businesses and research and development entities.

Operational objective 1.4: “*The development of small and medium-sized enterprises and the increase of the level of their innovativeness*”. Operational objective 1.4 is connected with activities aimed at strengthening the sector of small and medium enterprises, which is of key importance for the modernization of the regional economy and the construction of the KBE. The sector of small and medium-sized enterprises (SMEs) in the Lublin region is underdeveloped and faces many serious developmental problems.⁴⁴ We have here in mind the measures aimed at overcoming the main weakness of the SME sector, which also constitute a barrier to the development of the KBE in the region, among others, associated with increasing the ability of businesses to create and absorb innovations within the regional innovation system, increasing companies’ access to external sources of financing, including for the support for innovation (venture capital funds, investment and guarantee funds), development of a comprehensive system of training and counselling for business (including the adjustment of service packages to meet the needs of entrepreneurs, the development of networking cooperation of business environment institutions, co-financing of specialized advisory services for business), as well as supporting cooperative relations and the development of international cooperation of companies with the creation of network structures and cooperative relations.

⁴⁴ As noted in the LPDS2020, numerous formal and legal barriers to doing business, the underdeveloped system of self-government and business institutions are not conducive to the development of SMEs. An additional barrier to the development of SMEs and to enhancing their competitiveness is the hindered access: to external sources of financing and the lack of proper support by the state authorities for enterprises in creating and absorbing innovations, mainly in the framework of direct cooperation with R&D entities.

Operational objective 1.5: *“The development of the regional R & D potential and its use for the needs of the economy”*. Operational objective 1.4 is connected with activities aimed at reducing barriers and strengthening the research and development potential of Lublin province, mainly through the establishment of closer cooperation between the science sector and the economic sphere within the regional innovation system. The research potential of the region was recognized in the LPDS 2020 as one of the strengths of the region and its economy.⁴⁵ Measures undertaken in this area involve, among others, strengthening the research base of universities and R & D institutions in the region (investments in premises, scientific and research equipment, the creation of co-operation networks of scientific centres and research and development units within the national and the European research area), the development of knowledge and research in disciplines of science strategic for the region⁴⁶, strengthening cooperation between the research and development sector and entrepreneurs, and the development of regional knowledge transfer and research commercialization infrastructure as a fundamental element of the regional innovation system.

Operational objective 1.6: *“The development of the information society”*. Operational objective 1.4 is connected with activities

⁴⁵ At the same time, a number of weaknesses in R & D are indicated, including the poor quality of its offer and maladjustment to the needs of the regional economy. These weaknesses largely result from the reasons beyond the academic personnel, and specifically from the low level and unfavorable structure of funding of science and R&D activities in Poland, insufficient scientific-research equipment and a high degree of wear of the equipment, as well as the lack of basic knowledge transfer and research commercialization infrastructure. These negative phenomena are also accompanied by problems associated with the restructuring of financing of Polish science and many scientists' difficulty in adapting to the challenges of the KBE.

⁴⁶ These disciplines result from the Regional Innovation Strategy of Lublin Province to 2020 and encompass disciplines such as: engineering, biotechnology, information technology, environmental protection, agriculture and agricultural processing, and production of energy from renewable sources.

stimulating the development of the information society and its infrastructure, which are the foundation for the KBE. In the case of Lublin province one of the biggest barriers to the development of the information society, and hence the KBE, is the underdevelopment of broadband Internet infrastructure. Efficient and effective management of information, data and knowledge created in its effect, is a prerequisite for building competitive advantage in the region in the era of globalization.⁴⁷ Among the measures carried out in this area we should enumerate actions aimed, among others, at the development of basic regional ICT infrastructure enabling the universal and affordable access to information resources (building a backbone broadband network and the expansion of the access network at the local level), support for the public access to the Internet, stimulating the development of e-business with greater computerization of business operations and computerization of public administration and development of public services.

Within Priority II: *“The development of modern society and human resources adapted to the requirements of the Knowledge Based Economy”*

Sustainable and balanced development of the region and building of the KBE are not possible without the participation of conscious and educated society. Such society is today the most important economic resource, it is an indispensable element of the “new economy” and is the basis for building the region’s competitiveness in the globalized world.⁴⁸ The analysis of the socio-economic development

⁴⁷ The underdevelopment of ICT infrastructure and the high cost of using it necessitated the realization of the great investment project “Polish Eastern Broadband Network” in Eastern Poland in recent years, which, thanks to the support coming from the EU SF, is fundamentally changing regions of Eastern Poland in terms of broadband Internet access.

⁴⁸ As the authors of the LPDS2020 note, numerous factors determine the modernity of society, the most important are: the quality of life, the overall level of education of citizens, the level of employment, the degree of social and cultural integration, as well as the degree of the sense of security and public order.

of Lublin province carried out in the LPDS 2020 points out to a low level of social development of the region and the presence of a number of barriers to citizens' adaptation to the challenges of the "new economy". The low level of the modernity of Lublin province society is evidenced, among others, by factors such as: the low quality of life, the impoverishment of the inhabitants, the unsatisfactory level of their education and adaptation of their knowledge and skills to the labour market requirements, the low employment rate, accompanied by high levels of unemployment, poverty and social exclusion (particularly visible in rural areas). The new development policy of the region, expressed in LPDS 2020, in this area puts emphasis on increasing employment, improving the affluence of the region's population and increasing their qualifications.⁴⁹ Besides, an important direction of strengthening the social capital of the region, to which the authors of the LPDS 2020 point out, is well considered population policy of the regional self-government, aimed at reducing negative demographic trends connected with the aging of the population and a noticeable decline in the population of the region in the last decade (especially when it comes to young people entering the labour market and, as a rule, well-educated in schools and universities of Lublin province). The access to health services (including e-health) and popularisation of sport and physical culture also have a major impact on improving the health of the residents in the region.

Priority II and the related directions of regional development are achieved through the implementation of six operational objectives aimed at shaping the society of the region. They emphasize

⁴⁹ The goal of the regional authorities is the creation of more jobs in competitive sectors of the economy, the support for increasing the skills of employees and their better adaption to the changing needs of the labor market. An important factor for employment growth in the region is active labor market policy at the regional and local level and the improvement of the institutional efficiency of public and private employment services, as well as directing more public money to active unemployment prevention. The latter course of action concerns improving the quality of education at all levels, and the support for various forms of continuous education with particular emphasis on the application of information knowledge and technology.

the quality of life, the level of education of inhabitants, the level of employment, the degree of social and cultural integration, as well as the degree of the sense of security and public order.⁵⁰

Operational objective 2.1: ***“Shaping development-oriented population policy in the region”***. Operational objective 2.1 is connected with activities which support shaping of a good condition of the society of the region and its proper structure. It concerns the measures directed towards, among others, the improvement of conditions conducive to the economic independence of families and financial support for parents in reconciling their professional and family duties, the shaping of regional housing policy in such a way that it contributes to satisfying the basic needs of the population in the region (development of cheap forms of housing and social housing construction), and improving the quality and availability of medical services through the modernization and development of health care infrastructure, in particular ensuring access to basic medical services.

Operational objective 2.2: ***“Raising the level of education and knowledge of the region’s inhabitants”***. Operational objective 2.2 is connected with activities aimed at reducing educational barriers at all levels of education, and especially occurring in small towns and rural areas of the region, to which we can include, among others, promoting openness of the education system and adapting the curriculum to the needs of the regional economy and regional labour market, the development of vocational continuous learning in the region and its integration with traditional educational system, the improvement of the quality of teaching in schools and the development of modern forms and curricula (including the acquisition of key skills by learners).⁵¹

⁵⁰ See LPDS2020, 2009, vol. II, pp. 49-56.

⁵¹ The LPDS2020 enumerates the following key skills: the practical application of knowledge, the use of information, reasoning and analytical thinking, knowledge of foreign languages, knowledge of ICT and computer skills, as well as

Within Priority III: ***“Improving the attractiveness and territorial cohesion of Lublin province”***

The level of attractiveness and territorial cohesion of Lublin province is one of the major indicators of competitiveness of the region and a determinant of sustainable socio-economic development in its area. In the LPDS 2020 attention is paid to such factors as accessibility of the region, the natural environment and cultural heritage, spatial order, the configuration of the settlement network and degree of development of urban centres and surrounding rural areas. The analyses conducted during the preparation of the LPDS 2020 show that the Lublin region is characterized by a relatively low level of attractiveness and territorial cohesion and the intensity of such phenomena as the underdeveloped industrial base and business environment, small absorption of the regional market, the state of being peripheral and the limited communication accessibility. The poor economic condition of most cities in the region, among which Lublin is the largest, inhibits the processes of modernization of the regional economy, including the restructuring of agriculture in the region and the shift of employment from agricultural production sectors to industries and services, which will be the most important areas for building the KBE.

In order to improve the attractiveness and territorial cohesion of Lublin province, the LPDS 2020 indicates first and foremost the need to improve transport accessibility of the region through the development of key infrastructure enabling efficient transport linking the province with major economic centres in the country and in Europe. A gradual improvement of the transport patency within the region, conditioned by a good technical condition of roads and developed network of local railway connections, is also regarded as necessary. Other factors also important for territorial cohesion are the elimination of intraregional differences both in the sub-regional and district dimension in terms of entrepreneurship development and the level of registered unemployment, as well as the effective

social skills, i.e. the ability to make decisions, accountability, teamwork and creativity.

fulfilment of their developmental functions by towns of the region. Priority 3 and the related directions of development of the region are achieved through the reduction of the barriers to the development of the region, identified in the LPDS 2020, also through the strengthening of these positive features of its area, which significantly contribute to increasing the competitiveness of Lublin province. It concerns, among others, the rich natural and cultural heritage of the region and the polycentric configuration of the city network with the centrally located agglomeration of Lublin, which predisposes it to fulfil metropolitan functions.⁵²

Operational objective 3.1: ***“Improving the transport accessibility of the province”***. Activities connected with operational objective 3.1. focus, inter alia, on the modernization and adaptation of the rail infrastructure to high-speed passenger connections and increasing freight transport, the development of air transport infrastructure and services, as well as on the development of connections with the neighbouring countries which is facilitated by the modernization and construction of new border crossings and the construction of ancillary passenger service infrastructure. Poor communication and transport accessibility of Lublin province evidenced, among others, by the low density and quality of road and rail networks is an important barrier to the development of the region.⁵³

Within Priority IV: ***“The development of interregional cooperation of the province and the improvement of the effectiveness of the regional development policy implementation”***

The developed institutional cooperation conducted not only between institutions and partners within the region, but also with foreign partners, as interregional cooperation, as well as the related effective system of regional development management, as emphasized by

⁵² See LPDS2020, 2009, vol. II, pp. 57-64.

⁵³ We can speak about the growing importance of air transport for the development of Lublin province only from 2012, i.e. since the opening of Lublin Airport.

the authors LRDS 2020, determine to a greater and greater extent the competitiveness of the region. The well-organized and multi-faceted institutional cooperation at the regional level contributes to the development of human and social capital, builds institutional capacity of the region and can be an effective tool for exchanging experiences and knowledge, which are the basis for the construction of the regional KBE.

The analyses conducted within the LPDS 2020 show that the regional development management effectiveness in Lublin province is still insufficient and does not fulfil the requirements of the KBE. The authors of the LPDS regarded the lack of a clear division of competences in the field of regional policy in Poland, as well as the scarcity of appropriate instruments for its effective implementation as particularly important. Another major obstacle is the low institutional capacity of administration and institutions of the region to fulfil their assigned functions and tasks. The LPDS 2020 implementation is conducive to the better use of development opportunities of the region connected with interregional, both national and international, cooperation pursued by the local government. This cooperation plays an extremely important role in the promotion of the region and establishing business contacts. They result in new investments, the inflow of foreign investors, followed by flows of knowledge and technology used by the regional economy, necessary for the development of the KBE. The LPDS 2020 also emphasizes the substantiation of measures and the need to engage a broad range of stakeholders both from other regions of Eastern Poland, as well as regions from abroad in the implemented projects, using here primarily the opportunities for cooperation of Lublin province with bordering regions of Belarus and Ukraine.

Priority 4 and the related directions of the Lublin province development are achieved through the fuller use of the opportunities offered by interregional cooperation, including economic cooperation, developed on the national and international level, and giving the region specific benefits, among others, the promotion of the region, attracting investors and capital, and greater involvement of a broad range of stakeholders in the implementation of regional

development projects. Moreover, operational objectives aimed at efficient inter-regional cooperation, which is an important element of regional development and the associated transformation of the economy of Lublin province serve the realization of Priority 4.⁵⁴

Operational objective 4.2: “***Strengthening the capacity of the region to conduct efficient regional policy***”. Activities connected with operational objective 4.2. concentrate, among others, on the tightening of the cooperation of regional administration in a European system (training of public employees, the introduction of ISO standards in public administration, development of computerization and on-line services in government offices), the improvement of the quality of strategic and operational planning in the region (strengthening the competence and knowledge of employees of planning units of local governments, increasing the degree of correlation of planning documents of different levels, the development of strategic planning instruments – GIS, HERMIN), and building of the cross-regional public-private partnership in strategic planning and in the implementation of common regional policy (mutual consultation of local governments of Polish Eastern regions, the creation of economic clusters and super-regional infrastructure).

Operational objective 4.3: “***Improving the effectiveness of promotion of the region and its ability to attract investment from outside***”. Activities connected with operational objective 4.3 focus, among others, on conducting effective regional marketing domestically and abroad aimed at the promotion of the region and its operators, the construction of an efficient and comprehensive information and investor service system in the region, effective use of the information society tools in the promotional activities of local governments which will allow for broad exchange of information, especially this concerning investment opportunities in the Lublin region.

⁵⁴ See LPDS2020, 2009, vol. II, pp. 65-68.

II. The Lublin Province Development Strategy for the years 2014-2020 (with a 2030 perspective)

The changing conditions of the development of Polish regions, both internal and external ones, forced the local authorities to re-diagnose the Lublin region development opportunities and to introduce adjustments in the current economic policy. The result of these activities is the Lublin Province Development Strategy for the years 2014 – 2020: with a 2030 perspective (LPDS 2030) prepared in 2013.⁵⁵ The LPDS 2030 newly introduced directions of development activities for the local governments of Lublin province and indicated measures by means of which they can be accomplished. The LPDS 2030 replaced the existing development priorities with 4 strategic goals of development in the framework of which there are operational objectives. The strategic goals of the development of Lublin province in the LPDS 2030 are: I. Increasing the urbanization of the region. II. Restructuring of agriculture and development of rural areas. III. Selective development of the region's potential in the fields of knowledge, qualifications, technological advancement, enterprises and innovation. IV. Functional, spatial, social and cultural integration of the region.

Courses of action of the LPDS 2030 supporting the development of the KBE in Lublin province:

Within strategic goal III: ***“Selective development of the region’s potential in the fields of knowledge, qualifications, technological advancement, enterprises and innovation”***

This goal emphasizes the importance of innovativeness for the development of a modern economy and suggests taking action aimed at increasing innovativeness of these lines of business activities in the region which are rooted in its economic tradition and can be

⁵⁵ The Lublin Province Development Strategy for the years 2014 – 2020 with a 2030 perspective, Lublin: Marshal Office of Lublin Province 2013.

supported by the research and development base developed already as a result of the implementation of LPDS 2020 according to the currently adopted principle of development of the region assuming smart specialisation. The indicated strategic goal III is implemented through six operational objectives.⁵⁶

Operational objective 3.1: “***Support the most promising fields of research and commercialization of results***”. It concerns the effective use of the high scientific research potential of Lublin province concentrated especially in the sciences related to broadly understood bio-innovations, including bio-medicine, the identified regional smart specializations, as well as closer links between science and networks of entrepreneurship support organizations. The activities proposed under operating objective 3.1. are focused on strengthening the economic impact of the science sphere, selective support for the best teams and research institutes, their human potential, links with national and world science, and support for network links among scientific institutions of the region, and especially technology transfer institutions.

Operational objective 3.2: “***Support university programmes of special significance for the region’s future labour with a unique supraregional role***”. A great advantage of Lublin province, not often encountered in underdeveloped regions and extremely important in the modernization of the regional socio-economic sphere and in the development of the KBE, is the large academic potential. In the case of Lublin province it is in addition fairly evenly geographically distributed and includes both public and private universities. The demand for qualified staff has encouraged universities for many years to restructure their education profiles with particular emphasis on modern fields of knowledge and intelligent specialization of the region. The diversity of educational institutions in the region of Lublin causes the fact that in the province it is possible to find specialists in almost every field, which is of great importance for the economy

⁵⁶ See LPDS2030, 2013, pp. 58-68.

of the region which needs specialists. Moreover, the rich educational offer makes the region competitive in terms of education, not only nationally, but also internationally, as evidenced by the high number of foreign students studying at the universities of Lublin province.

The activities planned under operating objective 3.2 focus primarily on the identification of unique fields of education, the preparation of new educational curricula and the support for their development, as well as on expanding the so-called programs of ordered specializations related to the needs of the regional labour market, especially the modernization of the regional economy.

Operational objective 3.3: ***“Create a system of academic, expert and implementation support promoting the development of selected economic sectors”***. Achieving a high level of innovation in the regional economy requires effective cooperation between the R & D sphere and businesses, especially in the areas which are of key importance for the competitiveness of the regional economy. In the case of Lublin province, the area particularly important for its economic development is a food complex, as well as sectors of the economy focused on bio-innovations. Their support is long-term and it implies cooperation of the research and economic spheres in the international dimension (agriculture, food processing). The activities planned under operating objective 3.3 encompass, among others, supporting the creation and development of commercial entities specializing in intellectual property management; developing the mechanism of supply and demand (push-pull) for raising the innovativeness of the regional economy and strengthening the role and functions of business environment institutions (including institutions for technology transfer and innovation).

Operational objective 3.4: ***“Develop an education system adapted to the region’s specific characteristics”***. Dynamic economic and technological changes make it necessary to continuously raise qualifications and adapt them to new social and economic conditions. As the authors of the LPDS 2030 noted, the efficient, modern and accessible system of education, including vocational,

continual education, professional training and professional counselling should respond to these challenges. At the same time, the system of job agencies and professional counselling should ensure better adaptation of expectations and possibilities of employees to the needs of the economy. This system should benefit from the latest Polish and international experiences in this field, far beyond the current practice. The activities planned under operating objective 3.4 encapsulate, among others, encouraging the individualization of education (e.g. the creation of innovative attitudes, entrepreneurship and management skills), supporting cooperation among enterprises and labour market institutions and educational institutions, promoting the construction and effective development of employment agencies and a vocational training system, the modernization and development of job placement and professional counselling institutions, conducting of active forms of support for employment and development of networks of continuing education institutions (including distance learning).

Operational objective 3.5: “ ***Support small and medium sized enterprises (SMEs)***”. Small and medium-sized enterprises (SMEs) play a key role in stimulating regional economic development and building the KBE. For this reason, they should be a subject of particular interest and support from regional governments. The LPDS 2030 postulates support for economic activity exactly in the SME sector. These actions lead to a reduction of investment risks related with investments in business ventures, especially concerning the implementation / commercialization of innovations. Bearing part of the risk associated with it by the public sector, and especially in the sphere of priority directions of support based on bio-innovative nature of the regional economy and science, is an essential element of the support for regional entrepreneurship and an instrument for raising the competitiveness of the regional economy. The activities planned under operating objective 3.4 include, among others, supporting the processes of cooperation and networking of companies from the SME sector, facilitating establishment of companies, supporting the development of financial engineering instruments (especially for SMEs), support for the staff development of regional

enterprises and cooperation in the creation of investment areas and entrepreneurship development zones.

Operational objective 3.6: “*Develop an information society*”. One of the key elements conducive to enhancing the region’s competitiveness and enabling the development of the KBE is a developed information society. Therefore, the obtainment of competitive advantages by the region needs to be done on the basis of the development of the information society, ICTs and especially e-economy. The LPDS 2030 pays special attention to the unobstructed flow of knowledge and skills, the popularization of certification systems of specialist computer knowledge, the use of alternative forms of intellectual property protection (creative commons), the development of unique contents and services, with particular emphasis on the needs of local communities. A challenge for the regional authorities, according to the authors of the LPDS 2030, is to develop an internal knowledge management mechanism constituting an important factor of competitive advantage particularly in global markets and to reduce the costs of institutions and businesses in the region. The activities planned under operating objective 3.6 include, among others, increasing access to broadband Internet in areas where the network is poorly developed, the development of e-services, supporting the development of new models of e-business, digitization and increasing the access to the resources of science, the development of digital culture and e-learning and investments in e-skills and skills related to modern entrepreneurship.

6. The importance of the Regional Innovation Strategy of Lublin Province for the construction of the regional KBE in Lublin Province

Regional Innovation Strategies (RIS) and Regional Innovation Systems (RISys) are crucial for the modernization of the regional

economy and the construction of the KBE⁵⁷. They enable the effective use of innovative knowledge resources and, as a result, the implementation of innovations, on which the “new economy” is based and thanks to which it develops.

RSIs are strategic operational documents which define the objectives and directions of development of the regional innovative economy in the established timeframe. They represent a kind of a signpost which shows in which direction the local authorities should work to effectively support the modernization of the region’s economy. The main objective of RISs are to increase the innovation potential of the regional economy based on its resources, to build interdependencies between socio-economic entities of the region, and above all to care for the most efficient use of accumulated regional knowledge resources, technology and experience of its inhabitants.

In turn, RISys are deliberately developed networks of institutions, both public and private ones, i.e. enterprises, business organizations and other entities operating in the region and connected with one another. RISys encompass enterprises, regional authorities, universities, research and development institutes, regional development agencies, financial and crediting institutions and organizations for entrepreneurship and innovation (including incubators, regional technology transfer centres, industrial and technology parks, consulting companies and special economic zones). A very important element of RISys are clusters which foster the expansion of the identified networks connections in the region and contribute to increasing the regional economy innovativeness.

The aim of the entities involved in RISys is to support entrepreneurship and innovativeness of the region by strengthening the innovation capacity of companies on its territory. Entities forming RISys are supposed to actively participate in the development and implementation of innovations, which are the foundation of the modern and competitive economy. The essence of RISys mission

⁵⁷ See T. Markowski, J. Kot, E. Stawasz E., *Regionalne systemy innowacji jako podstawa budowania konkurencyjności polskich regionów*, „Samorząd Terytorialny”, 6(1996), p. 58 ff.

is to create sustainable partnerships between research institutions, companies, advisory and financial entities and local governments in the field of the promotion of research and innovation. The structure RISys is a specific type of a network system, in which all stakeholders act in order to obtain the maximum benefit from the use of specialist knowledge and innovation implementation. One of the most important features of this system is that the relationship between the participants in the network are based on the principle of cooperation, exchange, rather than on the principle of subordination of one body to another or unhealthy rivalry.⁵⁸ RISys also impose the change of approach to the management of the region so that individual entities of RISys networks are able to meet difficulties appearing in their everyday functioning.⁵⁹ For this reason, the successful implementation of policies aimed at building the KBE in the region requires the involvement and good cooperation between local and regional governments.⁶⁰ While analyzing the recommendations of the local authorities of Lublin province relating to the modernization of the regional socio-economic sphere and construction of the KBE special attention should be paid to the Regional Innovation Strategy of Lublin Province to 2020 (RISLP 2020)⁶¹, which is a special kind of complement to the recently implemented LPDS 2020 and LPDS 2030. The importance of the RISLP 2020 stems from the fact that it is a set of guidelines for regional innovation policy, which is the basis for the KBE built in the Lublin region.

The RISLP 2020 is a particularization of the LPDS 2020 and LPDS 2030 in the section devoted to the development of research and innovation for the smart specialization of the region. The mission

⁵⁸ Key elements forming the RSI are local authorities, regional development agencies, universities and R&D institutes, technology transfer centers, financial institutions and prominent companies.

⁵⁹ See E. Okoń-Horodyńska, *Jak budować regionalne systemy innowacji*, Warszawa – Gdańsk: Instytut Badań nad Gospodarką Rynkową 2000.

⁶⁰ See L. Metcalfe, *Public management from imitation to innovation*, "Australian Journal of Public Administration", vol. 52(3), 1993, pp. 292-304.

⁶¹ *Regionalna Strategia Innowacji Województwa Lubelskiego do 2020 roku*, Lublin: Urząd Marszałkowski Województwa Lubelskiego 2014.

of the RISLP 2020, as we read in the document, is supporting the development of the innovativeness of Lublin province, as well as launching the process of technological and non-technological transformation of endogenous development potentials, increasing productivity and knowledge absorption of the regional economy and diversification of its structure leading to a growth of the share of industries and services with high value added and high growth potential in the economy. The RISLP 2020 supports a selective model of development of the region, i.e. development based on smart specializations, which we understand as the development of these areas of R&D and innovation, which strengthen the endogenous development potentials of the region. The identification of the areas of smart specialization, understood in this way, is based on the promoted by the European Commission bottom-up, entrepreneurial process of discovery⁶², backed by a thorough analysis of the economic, scientific-technological, educational and institutional potential of Lublin province. The RISLP 2020 identifies four areas of smart specialization of Lublin province – bio-economy, medicine and health, information technology and automation, and low-carbon energy. These areas overlap, are complementary to one another and include those areas of activity that are grounded in traditional fields of economic and scientific-technological specialization of Lublin province. As

⁶² The entrepreneurial process of discovery consists in the choice of priorities and allocation of resources through the participation of stakeholders from the business world (e.g. companies, universities, research institutes) which demonstrate the most promising areas of development of the region. This process is intended to show how, in the best way, a specific region or country should manage in the research, development and innovation sphere, in line with the assumption that the stakeholders involved in entrepreneurship have the best knowledge and can most accurately determine what the strength of their activity is in the territory of the region. The entrepreneurial discovery is usually done by trial and error and experimentation, and therefore, regions must go out to entrepreneurs with initiative and involve them in the design of the strategy. See RISLP 2020, pp. 6-7; see also *Przewodnik Strategii Badań i Innowacji na rzecz inteligentnej specjalizacji (RIS 3)*, Luxembourg: Urząd Publikacji UE 2012.

the authors of the RISLP 2020 write, these areas slowly gain a better competitive position nationally and internationally, and will be eventually capable of the creation of the critical mass necessary to launch a new path of development of the region.

According to the projections of the RISLP 2020, by 2020 Lublin province should become a region efficiently utilizing its internal potential, creating products and services with high added value, open to innovation and cooperation and better economically and scientifically linked with the outside world. It will be the economy with a strong pro-innovation potential, the province will advance in regional innovation rankings. The following objectives of the RISLP 2020 were subordinated to the execution of such a broad vision: I. The development of territorial capital (esp. in the areas of smart specialization). II. Strengthening of the regional research and innovation system and basing it on the quadruple helix⁶³, linking all stakeholders interested in cooperation. III. The inclusion of the region in national and international chain of innovation cooperation and networks. IV. The development of effective instruments for promoting innovation and competitiveness of the economy of the region. V. The stimulation of the dynamic advantages of location (and especially strengthening of business environment institutions, the development of market services for the business, the development of financial markets relevant to the growth of demand for innovation by companies from the region and outside the region). 3 Priorities and included courses of action, recommend by the local authorities of the region, serve achieving the objectives mentioned in the RISLP

⁶³ The triple helix is a model of innovation involving the relationships among three types of actors – scientific centers, industry and public authorities (government) in the process of creating knowledge. This model is connected with the production of knowledge and innovation, which are the basic component of the KBE. Currently, the triple helix concept is increasingly being replaced by the concept of the quadruple helix, in which the media and civil society are also included in the innovation system. The model enables, according to some scholars (E. Carayannis D. Campbell) more effective formation of the knowledge-based society.

2020 in the time horizon to 2020, including those associated with the construction of the KBE which is of particular interest to us:

Priority I: ***“Increasing the ability of economic entities to create and absorb knowledge and implement innovations, particularly in regional areas of smart specialization”***

The courses of action within Priority I: Course 1.1: Stimulating the development of entrepreneurship, technological entrepreneurship. Course 1.2: The increase in the level of innovation in already operating companies. Course 1.3: The development of knowledge and competencies of industrial personnel (workers and managers). Course 1.4: The stimulation and development of network cooperation of business entities. Course 1.5: The development of financial engineering for innovation adapting to a greater extent than hitherto the type of financial support to the nature of innovation (repayable and non-repayable instruments).

Priority II: ***“Increasing the capability of science and research sector entities to create and commercialize knowledge in the regional areas of smart specialization of the region”***

The courses of action within Priority II: Course 2.1: The development of scientific research personnel to develop and transfer knowledge for the development of smart specializations of the region. Course 2.2: Increasing the efficiency of research infrastructures to conduct and commercialize research in the fields connected with smart specializations of the region. Course 2.3: The growing importance of science of Lublin province in the areas of smart specialization at the national and international level.

Priority III: ***“Strengthening business environment institutions and public administration open to innovation”***

The courses of action within Priority III: Course 3.1: The transformation of business environment institutions into regional growth centres. Course 3.2: The development of efficient public administration open to innovation. Course 3.3: The promotion of entrepreneurship and innovativeness.

The presented courses of action were elaborated on at the level of IMSLP 2020 executive documents.⁶⁴ It was also provided that it will be possible to revise the courses of action enumerated in the RISLP 2020 in order to adjust them to the changing conditions of economic development of Lublin province.⁶⁵ Important elements supporting the effective implementation of the RISLP 2020 are pilot programs initiating a regional innovation laboratory. It serves the search for solutions which will better adapt the directions and forms of intervention associated with the RISLP 2020 to the changing needs and challenges related to the development of the regional areas of smart specialization.⁶⁶ The RISLP 2020 also integrated, as already mentioned, the mechanism of the continuation of the entrepreneurial process of discovery, especially with regard to the R&D and innovation priorities of the LPDS 2020 and LPDS 2030, dedicating to it one of the launched pilot programs – Regional research program in the areas of smart specialization⁶⁷; one of the types of

⁶⁴ It concerns the documents connected, among others, with the Regional Operational Programme of Lublin province for 2014-2020 and sectoral, regional and trans-regional research agendas. The particularization of the courses of action within the framework of the individual priorities of the RISLP 2020 include, inter alia, the type, scale, scope, range, value of border projects, the type of beneficiaries, the structure of non-repayable and repayable instruments involved in individual actions and the mode of calls for proposals.

⁶⁵ The revisions were provided on the occasion of updates of the LPDS2020.

⁶⁶ These included regional research programs in the areas of smart specialization, technological entrepreneurship, partnerships, networks and clusters, regional growth centres, financial engineering of innovation and innovative public procurement. The inspiration for the pilot programs are good practices collected by the OECD and the platform of Pro Inno Europe, as well as certain projects implemented in Lublin province and related, among others, to academic entrepreneurship and innovation brokers. The aim of the pilot programs is to test new instruments, assess their effectiveness and prepare procedures for disseminating the most effective solutions. (See RISLP 2020).

⁶⁷ Its goal is, among others, the preparation of priorities of the regional research agenda for the development of smart specializations, the design and testing of a regional technological observatory oriented towards, inter alia, monitoring of new technologies, the identification of their applications, and estimation

action of the RISLP 2020 within Priority I., Course 1.4: The stimulation and development of network cooperation of business entities; an autonomous instrument to develop common research agendas for individual regional areas of smart specialization encompassing priority research and development projects relevant to the development of companies located in these areas, and one course of action within Priority III, Course 3.2: The development of efficient public administration open to the innovation; aiming, among others, at the establishment of the mechanism ensuring the continuity of the entrepreneurial process of discovery.

The RISLP 2020 is a key element of the economic policy pursued by the local authorities of the region of Lublin in the sphere of the modernization of the regional economy and construction of the innovative and competitive KBE in Lublin province

Final remarks

Delays in the socio-economic development of Polish eastern provinces, including the province of Lublin of interest to us, have been caused by historical and political circumstances, that have specifically formed the area of the region and affected the potential and achievement of its society. These conditions have also decisively influenced the shaping of the agricultural profile of the Lublin province economy and determined the possibilities of its development. Modern times and the associated processes of globalization have significantly changed the conditions of the functioning of the economic sphere, giving its actors new growth opportunities as well as setting new restrictions. In these conditions the modernization of the socio-economic sphere of Lublin province has become a major challenge, not only for the local authorities of the region, but also for businesses, organizations, and finally the residents themselves, who strive for the improvement of their living conditions and better

of the market potential associated with the commercialization of innovative solutions. (See RISLP 2020).

prospects for personal development. These targets seem achievable today in connection with Polish accession to the EU, thanks to which Lublin province has received a chance for a deep transformation of the socio-economic sphere and for building the innovative and competitive economy which can bring the region not only economic but also civilizational advancement.

The referred development opportunities of Lublin province result primarily from the implementation of EU CP by the regional local government and the availability of structural support thanks to which it is possible to implement the ambitious and effective economic policy. As it has been repeatedly emphasized in this study, it is directed towards a thorough modernization of the region consistent with the assumptions of the “new economy”. The actions undertaken by the regional government demonstrate full awareness of the local government environment of the changes taking place today in the social and economic spheres, as well as the determination of the regional authorities to maintain the indicated directions of development of the region. These directions were definitely drawn in the LPDS 2020 and confirmed in its continuation, that is the LPDS 2030. These strategic documents fully correspond to the EU’s development policy expressed by CP and the EU’s current development strategy “Europe 2020”. A very important achievement of these development strategies was the establishment of the appropriate development directions of the Lublin region in close connection with the areas of smart specialization of the province. This approach is the most optimal and gives the region a chance to develop its potential and effectively use the resources accumulated in its area, especially human resources and knowledge resources which, combined with the developing R&D sphere, are able to generate a powerful impetus for the development of the region of interest to us.

One of the biggest threats for the presented modernization plans of Lublin province is, according to the author of the study, the risk of the possible significant weakening of the human capital of the region, which relates specifically to a group of people of working age, usually well educated in schools and universities of Lublin province. Emigration of young people, which has intensified since Polish

accession to the EU, is a major problem and in fact impoverishes the human resources of the region, moreover, the resources of key importance to the modernization of the regional economy and building the KBE. The reasons for the outflow of qualified personnel from the Lublin region are obvious and are associated with better material conditions of life and of personal development in other, more developed regions of the country, especially in richer countries of western Europe. Stopping this migration by creating conditions for decent and interesting life in Lublin province is an extremely difficult task, and it probably exceeds the capabilities of the local authorities in the region which face many difficulties, also resulting from the implementation of the ambitious development strategy of Lublin province. It seems that for the success of economic modernization of Polish eastern provinces, despite the determination and persistent work of local and regional authorities, it will be necessary to obtain greater organized support from the central State authorities.

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Executive Coaching in a Local Government – Conditions and Dilemmas

Abstract

Executive coaching in local government is based on the individual work of a coach with the leader of the territorial unit in order to broaden his management, leadership and working skills with others, discover a possible spectrum of solutions and actions, stimulate and maintain motivation, reinforce his choices and actions supported by lessons learned in failure situations. Despite the fact that this process relates to the leader himself and his objectives, its effects are wider, include an increase in the efficiency of the contacts between the leader and other administration bodies and moving items of the coaching culture to the administration. In the article basic conditions and models of coaching will be outlined, the use of which makes coaching work, and its costs based on the RIO are multiply-refundable. An example of local government in Wales shows that the transfer of coaching into the area of local government in Europe is not only a rational and efficient operation. It is also desirable from the perspective of EU Cohesion Policy priorities for 2014-2020 (Objective: 11. Improving the efficiency of public administration).

Key words: coaching, executive coaching, management, local government

Introduction

A more or less successful transfer of effective management solutions from the commercial sphere into the areas of local administration has continued for more than a quarter of a century. Despite the passage of time and the implementation of various solutions it is hard to resist the impression that the rules of the traditional model of Max Weber's ideal bureaucracy of the twenties of the last century have a great time. Many years of implementation of the EU elements of the *new public management*, *good governance* and recently *multi-level-governance*, *lean government* or *e-government* have not sufficiently influenced the change of a high degree of formalization of the public administration, still functioning on the basis of clear, rigid separation of tasks to specific narrow positions and units, written documentation of all activities, depersonalization of officials and clients.

The literature provides examples showing that regardless of the nature (top-down, bottom-up, controlled, spontaneous) and the content of the reforms, the traditional public structures are emerging slowly and reluctantly. It seems that the changes in public administration should be intensified by the very conditions in which public entities function (the economic crisis, increased technologization of society, the emphasis on rationalization of public expenditure and orientation purposes). But that has not happened. According to A. Zalewski, a promoter of new public management in local government, insufficient transformations in the field of territorial units stem from the need to precede them with extension of competences and powers held by the executive authorities (in terms of freedom of the executive management), fundamental changes in the areas of personnel and financial management.

Past attempts to reform public administration focused on the aspect of management¹. A slightly different and relatively new approach to the issue of the public administration reform is to use

¹ A. Zalewski, *Reformy sektora publicznego w duchu nowego zarządzania publicznego*, [In:] *Nowe zarządzanie publiczne w polskim samorządzie teryto-*

coaching in relation to key leaders of the territorial units (leaders, managers), i.e. executive coaching. Choosing coaching seems to be a rational and strategic choice. Effective management cannot take place through ineffective leaders.

The application of coaching in local administration practically does not exist in Poland, where coaching is identified with corporations. In the enterprise system it is a key tool for development of workers (executive coaching, business coaching), rarely of task forces (team coaching). The purpose of this article is to present the application of coaching in local administration on selected examples (primarily government in Wales) in the context of the validity of the transfer of business solutions into the realm of public benefit. A concrete result of the article is to build a model of the coaching process for local government leaders including its components, the necessary conditions, opportunities and threats posed by its implementation. The additional value of these studies is to determine to what extent the use of the idea of coaching in public administration will fit in the framework of the development policy of the European Union.

While searching for the theoretical affiliation between executive coaching and other modern management concepts in the public sphere, it should be noted that the range of values refers to certain principles of *new public management* (by S.J. Bailey²), the concept of *governance* (in terms of R.A.W. Rhodes³) or *good governance* (in the

rialnym, A. Zalewski (ed.), Warszawa: Szkoła Główna Handlowa 2007, pp. 39-55.

² P. J. Bailey, *Public sector economics – theory, policy and practice*, London: Mcmillian Press Ltd. 1995, pp. 127-132; M. Zawadzki, *Nowe zarządzanie publiczne*, Warszawa: PWE 2011, p. 34.

³ R.A.W. Rhodes, *The new governance: Governing without governance*, “Political Studies”, no. 44(1996), pp. 652-667; M. Popławski, *Governance według Rona A.W. Rhodesa – konieczność zastosowania w Polsce na szczeblu lokalnym?*, [In:] *Samorząd terytorialny na przełomie XX/XXI wieku*, A. Lutrzykowski, R. Gawłowski, M. Popławski (eds.), Toruń: Wydawnictwo Adam Marszałek 2010, p. 116.

description of P. John⁴). Public administration reforms in the countries of Western Europe are based on promoting competitiveness, goal orientation, earning (saving), promoting accountability, decentralization and deconcentration, initiating cooperation, starting processes of self-improvement through stimulation of charismatic leaders. These rules impose a new definition of government employees and their activities, as well as the need to take into account the interests occurring outside the organization, through a process of approaching citizens (clients).

Coaching belongs to the above values. The local government will rely on individual work of the coach with the territorial unit leader in order to broaden his skills of managing, leading and working with others, discovering the spectrum of possibilities, solutions and actions to stimulate and maintain motivation, enhance his choices, support their implementation, as well as assistance in lessons learned in the situation of difficulties or failures. Despite the fact that this process relates to the leader and his objectives, its effects have a wider dimension. This is namely because it contributes to the application of the specificity of the method of coaching in the relationships between the leader and other public administration, eventually – in favourable conditions – creating a kind of a self-coaching culture in a territorial unit. Of the above concepts, coaching has the most in common with the idea of lean management. Just like lean management, coaching focuses on the internal (owned) resources, it is frugal, natural, result-oriented (measurability effects) and concentrates on constant improving of oneself (Kaizen), through the use of knowledge and tools that support management⁵.

⁴ P. John, *Local governance in Western Europe*, London: SAGE Publications Ltd. 2001, p. 17.

⁵ Cf. A. Grycuk, *Lean government czyli koncepcja szczupłego zarządzania w administracji publicznej*, „Analizy BAS”, Biuro Analiz Sejmowych, no. 3 (47), 4 February 2011, pp. 2-6.

1. Executive coaching – the concept and essence.

In the area of the non-business executive coaching appears as an area of vague rules, conflicting information, and as an activity fraught with considerable risk. Hence, it is important to precisely define what coaching and executive coaching are.

Coaching has much in common with the Socratic approach to learning, which assumes that learning is more effective when the learner controls the situation and takes a personal commitment to engage in the process of learning. Coaching is a non-directive kind of support⁶, focusing on releasing the client's potential, the development of his resources and maximizing productivity. Coaching is a process based on the relationship of cooperation between the coach and the client (coachee), who is inspired to explore his world and to live the life concentrated on realizing goals which are designed by himself and recognised as his own⁷.

Executive coaching is one of the key types of coaching (next to life and business coaching). It concentrates on a smooth increase of the effectiveness of leaders, through the analysis of the opportunities and challenges posed by work at the very top of the organization. Its effect is the discovering by the clients of their own solutions that occur as a consequence of the coach – client interaction (so-called “Aha” moments). This is done through multi-level, active listening, and the questions posed by the coach at the right time and in the right context⁸. According to one of the first definition of executive

⁶ Coaching cannot be identified with other forms of support such as: training, therapy, mentoring, consultation, counselling; ICC, *Coaching and other disciplines* http://www.iccpoland.pl/pl/strefa_wiedzy/coaching_a_inne_dyscypliny, (access: 30.03.2015).

⁷ P. Fielden, *Literature review: coaching effectiveness – a summary*, NHS Leadership Center, Manchester 2005 pp. 2-3 (http://literacy.kent.edu/coaching/information/Research/NHS_CDWPCoachingEffectiveness.pdf; access: 30.03.2015).

⁸ K. Naficy, L. Isabella, *How executive coaching can fuel professional – and personal – growth*, “Od Practitioner”, vol. 40, no. 1, 2008, p. 41 (<http://>

coaching (recognized in 1996 by K.K. Kilburg), a characteristic of this kind of support is based on the relationship between the client, who has the authority and leadership in the organization, and “the consultant” who through the use of a wide range of methods and behavioural techniques helps the client to identify short-term and long-term goals⁹.

Executive coaching client is an identified leader of the organization (and therefore a person with an appropriate title of Director, President, Vice-President), or a candidate for this position (short-term), who voluntarily decides to take part in a coaching process.

Executive coaching is most often used in four cases:

1. when the head of the organization is a newly-appointed leader, especially if he is “an outsider”,
2. when the organization is experiencing performance degradation, and at the same time a reluctance to make adjustments in the existing ways of working and to develop new skills,
3. when a high-potential employee needs support in order to accelerate his promotion,
4. when the leader of the organization is faced with difficult strategic and operational decisions¹⁰.

These situations define two general groups of objectives formulated in terms of coaching leaders, namely, development-oriented goals and goals aimed at addressing the problem. In both groups three areas of change can be additionally determined:

www.philosophyib.com/3/case/how-coaching-can-fuel-growth.pdf; access: 30.03.2015).

⁹ E.C. Thach, *The impact of executive coaching and 360 feedback on leadership effectiveness*, “Leadership and Organization Development Journal”, no. 23/4, 2002, p. 205 (<http://www2.hawaii.edu/~fontaine/Executive%20coaching%20pdf.pdf>); access: 1.04.2015); cf. The Executive Coaching Forum, *The executive coaching handbook. Principles and guidelines for a successful coaching partnership*, 2008, pp. 19-20.

¹⁰ M. Axmith, *Executive coaching: a catalyst for personal growth and corporate change*, “Ivey Business Journal”, May/June 2004, p. 1 (<http://iveybusinessjournal.com/publication/executive-coaching-a-catalyst-for-personal-growth-and-corporate-change/>); access:1.04.2015).

1. inter-personal (occurring in the relationship between the leader and others),
2. the organization (as a consequence of intra – and inter-personal changes)¹¹.

It is generally believed that the effects of coaching are primarily financially inexpressible changes in terms of soft skills. Unquestionably, coaching of leaders supports the development of inter-personal skills especially in over-controlling, patronizing and perfectionist people. It helps them to think and plan strategically, efficiently manage risk, effectively create and communicate a vision and mission of the organization. In the end, however, executive coaching, supporting a culture of trust, commitment and personal responsibility, increases productivity and improves the flow of information and strengthens the involvement of employees¹², and these elements have a direct impact on our financial gains. S. Sherman and A. Freas are right concluding that executive coaching leads to economic effects under the condition of convergence of individual client objectives with the goals of the organization¹³.

According to a study of Manchester Inc.¹⁴, the key individual benefits of executive coaching include: improving relations with superiors and subordinates (declared by more than 70% of clients), improving teamwork (67% of clients), an increase in job satisfaction (61%), reduction of conflict situations (a little more than half of consumers). Among the effects of this type of coaching for organizations the most frequent are: increased productivity (this effect was noticed

¹¹ Cf. P.P. Wise, L.P. Voss, *The case for executive coaching*, Reserch Raport from Lore Research Institiute, 2002, p. 3. (<http://www.coachfederation.org/files/includes/docs/027CaseforExecutiveCoachingLoreInstitute2002.pdf>; access: 30.03.2015).

¹² Cf. <http://www.theleadershipcoach.com/wp-content/uploads/2008/07/benefits-of-coaching1.pdf> (access: 30.03.2015).

¹³ P. Sherman, A. Freas, *The wild west of executive coaching*, “Harvard Business Review”, November 2004, p.7 (<http://www.executivecoaching.com/wp-content/uploads/2012/04/WildWest.pdf>; access: 31.03.2015).

¹⁴ A global leader who speacializes in building coaching programs for the top management.

by 53% of executives), an increase in quality (48%), increased organizational effectiveness (48%) and improved client service (almost 40%).¹⁵

Even more optimistic results were brought by the study held by V. Parker-Wilkins and “CoachingCounts”¹⁶. Almost 90% of participants identified executive coaching as very efficient (in terms of achieving their own goals), as a result of the process 95% of the clients started doing things differently than in the past, 82% noticed development in leadership skills, 95% said they will recommend coaching to their colleagues. In terms of outcomes for the organization, 96% of the institutions where the executive coaching program took place observed an increase in individual productivity of the coachees, slightly less (92%) of them noticed an increase in the effectiveness of management and leadership competencies¹⁷. Results of the CIPD research on satisfaction with coaching show that according to clients, coaching is a key mechanism for the effective transfer of knowledge used by them in their work, thereby reinforcing the desire to grow and acquire skills through the participation in the process¹⁸.

Not every client, however, is suitable for coaching. Nowadays, it is even talked about the “coachability” competence, defined as the willingness, desire and ability to be a client in the coaching process.

¹⁵ *Executive coaching yields return on investment of almost six times its cost, says study*, “Business Wire Issue”, 4 January 2001 (<http://www.theleadershipcoach.com/wp-content/uploads/2008/07/executive-coaching-yields-return-on-investment-of-almost-six-times-its-cost.pdf>; access: 31.03.2015).

¹⁶ Coaching counts, *Chiumento Research Report*, London 2007; V. Parker-Wilkins, *Business impact of executive coaching: Demonstrating monetary value*, cited [In:] K.P. de Meuse, G. Dai, *The effectiveness of executive coaching: What we can learn from the research literature*, pp. 5-7 (<http://www.kornferriyinstitute.com/>; access: 31.03.2015).

¹⁷ Similar results can be found in a collation by P. P. Wise, L.P. Voss, *The case for executive coaching*, Research Report from Lore Research Institute, pp. 6-7.

¹⁸ P. Fielden, *Literature review: coaching effectiveness – a summary*, Manchester: NHS Leadership Center 2005, p. 16 (http://literacy.kent.edu/coaching/information/Research/NHS_CDWPCoachingEffectiveness.pdf; access: 30.03.2015)..

From the “Report of the Harvard Business Review” it can be concluded that three key characteristics of a client which make him suitable for coaching are: willingness to change, active involvement and (to a lesser extent, three times) being clear about his own goals¹⁹. The lowest level of coachability appears in people with a serious mental illness, and narcissistic or arrogant personality²⁰.

2. Coaching models for leaders

There are many models of the coaching process. None of them is identified with executive coaching, although some of them are particularly suited to work with leaders. Regardless of authorship, whatever methodological assumptions, models of coaching come down to three phases:

1. The pre-trial phase (contract, the phase of establishing relation),
2. The fundamental process phase,
3. The post-trial phase (evaluation, the phase of separating from the client).

Although the detailed content of each phase varies in described models, they contain a number of elements in common. These include the following: specifying goal, designing an action plan through the use of the client’s internal resources, reflection on taken actions.

For a greater insight in terms of a different basic design of the coaching process I will provide several freely selected examples from the literature. These are: a GROW model identified with coaching (and its derivatives: GROW ME, PRACTICE, STEER and OSCAR),

¹⁹ C. Kauffman, D. Coutu, *The Realities of executive coaching*, “Harvard Business Review. Research Report”, January 2009, p. 18 (http://www.carolkauffman.com/images/pdfs/Kauffman_Coutu_HRB_survey_report.pdf; access: 31.03.2015).

²⁰ T. Bacon, L. Voss, *Adaptive coaching: the art and practice of a client-centered approach to performance improvement*, Boston, MA: N. Brealey Pub. 2012, pp. 83-86 (table).

a holistic model, a model of positive psychology coaching, as well as a model of leadership development, a rational coaching model (ABCDE) dedicated for working with leaders.

The GROW model is probably the most common and well-known model of coaching. Its authorship is attributed to John Whitmore²¹ – a sports coach, who effectively adopted it into the area of business. GROW is a simple way for moving from the goal to actions in four steps:

1. The determination of the target (**goal**) so that it is available and measurable;
2. The analysis of the current situation and describing it in an objective manner (**reality**);
3. Identifying all possible options (**options**) that will let one achieve the goal;
4. The choice of one of them using understanding and proper motivation (**will**).

A development of the GROW model is the GROW ME²² model, where two following steps appear: monitoring and evaluation (**monitor, evaluate**). They are used to verify the effectiveness of the actions taken by the client in the context of the goal adopted by him. The effect of phases M and E, which is to determine the client's satisfaction with the results of the process allows you to terminate the relationship in the case of success or to redefine the undertaken goal and run the GROW path again.

Similar in design is the PRACTICE model developed by Stephen Palmer, as an acronym: the **p**roblem, **r**ealistic goals, **a**lternative solution, **c**onsideration of consequences, **t**arget most feasible solution,

²¹ J. Whitmore, *Coaching for performance: GROWing human potential and purpose: the principles and practice of coaching and leadership. People skills for professionals*, Boston: Nicholas Brealey 1992; GROW model elements includes the first concept of coaching by Timothy Galloway, *The inner game of tennis* (1972).

²² A. Baker, *Managing Yourself and Others*, Oxford, UK: Oxfam 2006, pp. 70-71.

implementation of chosen solution, evaluation²³. It is not difficult to avoid the impression that, despite the increase in the number of steps (up to 8), this model – in terms of the coaching process – does not add anything new.

STEER²⁴ is a model of goal realisation, focusing on solutions and efficient moving forward. It consists of 5 stages (Spot, Tailor, Explain, Encourage, Review), which are: to identify the needs of development, matching the content of the process with the specifics to the client, explanation and demonstration of the tasks and tools, which will enable the client to achieve the goal, supporting the client in the process of changes, assessment of his progress.

The OSKAR²⁵ model is a model that uses a scale from 0 to 10, through which the client can accurately indicate where he is located and where he is going. It is a tool for the analysis and evaluation consisting of 5 steps: clarify and articulate the target (outcome), scale “where I am” and “where I want to be” (scaling), determine what resources have allowed the client to get in the current location, indicate the necessary resources which the client needs to be in the destination (know-how & resources), to determine what is successful and what the next step is going to be (affirm & action), the assessment of what has worked (review).

²³ P. Palmer, *The PRACTICE model of coaching: towards a solution – focused approach*, 2008 (http://ac.somcom.co.uk/media/uploads/papers/The_PRACTICE_model_of_coaching_towards_a_solution-focused_approach-2.pdf; access:29.03.2015).

²⁴ F. Deans, L. Oakley, *Coaching and mentoring for leadership development in civil society*, “Praxis Paper” 2006, no. 14, p. 31-32 (<http://www.eldis.org/vfile/upload/1/document/0803/ID2788.pdf>; access:29.03.2015).

²⁵ P.Z. Jackson, M. McKergow, *The solutions focus: Making coaching and change SIMPLE*, London: Nicholas Brealey 2007. About other models similar to ARCHIVE and SPACE see P. Dembkowski, F. Eldridge, *Beyond GROW: A new coaching model*, “The International Journal of Mentoring and Coaching”, 1(2003); N. Edgerton, P. Palmer, *SPACE: A psychological model for use within cognitive behavioural coaching, therapy and stress management*, “The Coaching Psychologist” 1-2(2005), pp. 25-31.

The identification of these models as a universal structure of the coaching process (or even a coaching session) is not justified. Models based on the GROW models are not universal. Though they do not work (or they are less suited) for working with beliefs, they can be used in case of operational coaching, which refers to the environment, behaviours, and skills of the client (the three lowest levels by Diltz). The weakness of both models is that they do not extend to the essence of coaching, focusing on the client, without deepening the meaning and context (the world of values, beliefs area). As a result, it can effectively block the process of changing the client, weaken his commitment and reduce the effectiveness of the whole process. The basic task of coaching which is to help the client to capture a broader view of his situation is not reached in this case. The client may feel that the process does not reach the essence (depth of the issue), and the coach stimulates him to design shallow solutions and undertake little meaningful actions²⁶.

The holistic model of ICC (International Coaching Community²⁷) is a different approach to both the client and the coaching process. Holistic coaching is based on a multi-level, holistic and systemic perception of phenomena. It is assumed to work at all neurological levels²⁸, focusing in particular on the inner world of the client's beliefs, his values, identity and mission. By the standards of the ICC, coaching is a process whose main essence is to strengthen and support the client in making independent changes based on his findings, conclusions and resources. Coaching consists of several meetings (sessions), between which there is a space that enables the client to experience and discover what is important to him. The base and the power of strengthening the client is his internal potential.

²⁶ Experience shows that the customer often appears in the coaching room with a goal that happens to be a relieved portion of a deeper problem. Often he feels that it is really about something else, but he cannot name it.

²⁷ ICC, *Coaching holistyczny* (http://www.iccpoland.pl/pl/centrum_prasowe/coaching_holistyczny; access: 20.03.2015).

²⁸ Encyklopedia coachingu, *Poziomy neurologiczne* (<http://encyklopediacoachingu.pl/haslo140>; access:31.03.2015).

While coaching the client himself indicates the goals and means of achieving them, the resources which he can, and he wants to use, personally designs and evaluates his own progress.

In terms of the structure of the coaching process, a similar approach includes a transformational learning²⁹ model, so-called triple loop (triple-loop learning). This model assumes the change through a process of three cycles, where each consist of defining the context, defining the framework, designing activities, describing results. As a result of the implementation of the first cycle a change occurs in terms of the client's perception of who he is, what he wants and what he needs. The second cycle leads to a change in the client's thinking (reframing). As a result of the third cycle, the client changes his behaviour, he is able to learn, grow, achieve goals, which he sincerely desires.

POSITIVE is a coaching model that is led in the spirit of positive psychology. Positive psychology as a scientific discipline focuses on the strengths and positive human behaviour. It assumes that the strengthening of the client through coaching leads to the client's increased productivity in terms of goals, which ultimately leads to a positive transformation in his life³⁰. In terms of practicality, the approach of positive psychology in coaching may take a structure of 6 stages³¹: Purpose, Observation, Strategy/SMART, Insight, Team, Initiate, Value, Encourage. Thus, it is based on: clarifying the purpose, grasping the broader perspective of personal situation, outlining

²⁹ M.M. Turner, *Transformational learning*, "Coach the coach" 2004 (<http://www.mentoringforchange.co.uk/pdf/CtC%20-%20Trans%20Learning.pdf>; access:29.03.2015).

³⁰ C. Kauffman, I. Boniwell and J. Silberman, *The Positive psychology approach to coaching*, [In:] The complete handbook of coaching, E. Cox, T. Bachkirova and D. Clutterbuck (eds), London: SAGE 2010 (http://www.carolkauffman.com/images/pdfs/sage_4_website.pdf; access: 29.03.2015).

³¹ V. Libri, *Beyond GROW: in search of acronyms and coaching models*, "International Journal of Mentoring and Coaching", 2004/II(1) (<http://www.emccouncil.org/uk/journal.htm>; access:29.03.2015); *The POSITIVE model of coaching, getting people excited about their goals* (<http://www.mindtools.com/pages/article/positive-coaching.htm>; access: 29.03.2015).

the achievements to plan, designing the picture of the client in the future and naming the emotions that accompany it, building a team of supporting the client to take the first step, discovering the value of the plan implementation thanks to short-term tasks and rewards for their implementation. As a result of these steps, the client is positively motivated and set to work also between sessions.

The leadership development³² model is a tool for deepening management competences in the team executives. This model is similar to the 360° assessment, in which the client (the leader) is subjected to a self-assessment, evaluation of superiors, subordinates, and those involved in equivalent positions. It does not, however, assess the efficiency of the leaders but the formulation of their development goals³³. In practice, during the assessment up to 96 items are measured that relate to 12 leadership behaviours, divided into 4 groups: Mission, Consistency, Involvement, Adaptability. The purpose of coaching in the case of this model is to maintain the focus of managers on their own development, to help to identify goals, as well as to draw and introduce an action plan. The coaching process ends with another multi-direction grade, and the differences between the assessment before and after coaching provide the material for reflection for the client. The role of coaches in the process is to strengthen the leaders in such a way that they do not consider the results as a threat for their function.

The ABCDE³⁴ model is a model identified with the rational-emotive therapy, behavioral therapy (REBT, Rational Emotive

³² R.E. Smerek, K. Luce, P. Kluczynski and D.R. Denison, *Executive coaching: Does leader behavior change with feedback and coaching?*, "The Linkage Leader", 1-7(2009) (http://www.denisonconsulting.com/sites/default/files/documents/resources/smerek-2009-executive-coaching.sflb_.ashx_.pdf; access: 29.03.2015).

³³ More: G. Toegel, J. A. Conger, *360-degree assessment: Time for reinvention*, "Academy of Management Learning and Education", no. 2(3), 2003, pp. 297-311.

³⁴ A. Ellis, J. Gordon, M. Neenan, P. Palmer, *Stress counselling: A rational emotive behaviour approach*, London: Cassell 1997; P. Palmer, *Cognitive and organisational models of stress that are suitable for use within workplace stress*

Behaviour Therapy) of Albert Ellis. This model works well for certain beliefs, leading the client to negative emotions or lack of actions. It is applied, inter alia, in the case of catastrophic thinking, making unreasonable demands in relation to oneself, the lack of faith in one's own efficacy and capabilities. The role of the coach is not to change these beliefs, but to imbalance the client's confidence in their accuracy (utility). Working procedure involves 5 steps: **A**ctivating event, **B**eliefs, **C**onsequences, **D**isputation, **E**ffective, which is referring to a specific event or memories, discovering beliefs standing behind it, pointing at consequences in emotions and actions emerging as a result of beliefs, taking considerations in terms of this belief (and alternative beliefs), formulating a new and effective approach and assessment of future changes. According to V. Ellan-Dysoni, S. Palmer, this model is particularly suitable for use with perfectionist leaders, with irrational beliefs that allow them to avoid the responsibilities of leadership³⁵.

To conclude this review of selected models, I would like to clearly state that none of them has been assigned exclusively to the corporate environment. In the structural aspect there is no difference between business and non-business coaching. The examples described in the literature (mainly from the United States Government³⁶) lead to the conclusion that the models implemented in the system of corporate work are the same as in the area of public administration.

In the literature, little attention is given to coaching in local government units. The exception in this respect at the European level is the local government in Wales, where since 2011, a local leaders coaching program has been realised.

management/prevention coaching, training and counselling settings, "The Rational Emotive Behaviour Therapist", 2002, no. 10(1), pp. 15-21.

³⁵ V. Ellam-Dyson, P. Palmer, *Rational coaching with perfectionistic leaders to overcome avoidance of leadership responsibilities*, „The Coaching Psychologist”, vol. 6, no. 2, 2010, pp. 5-11.

³⁶ G.L. Salomon, *The Evolution of Coaching in the U.P. Federal Government*, "International Journal of Coaching in Organization", no. 6(1), 2008, p. 7-17; R. Koonce, *Executive Coaching: Leadership Development in The Federal Government*, "The Public Manager", 7.04.2010.

3. Coaching local leaders – the Welsh case

Founded in 1996, the Welsh Local Government Association (WLGA) is an integral part of the Local Government Association (LGA) of England and Wales. Since 2007 the WLGA has provided technical and financial support to local authorities, implementing the idea of coaching in the structures of local government. It represents 22 local structures in Wales, with the goal of supporting local government and their authorities in the development policy, improving public services and spreading democracy. On 3 March 2011 the WGLA introduced the project of coaching local leaders entitled “Coaching in Local Authorities in Wales”³⁷. The activity of the association in this area was within the framework of the National Development Strategy (Member Development Strategy November 20th, 2008³⁸), implemented by the Board of Public Service of Wales (PSMW). In this strategy, the idea of coaching and mentoring was considered the second of the ten key directions of the country’s planned development (after strengthening local leadership). Among the main activities of the so-understood development were: organizing support for local councils in creating and developing their coaching programs, the development of a national network of political coaches, guidance and support of selected coaches in the development and implementation of models of coaching in local administration, the introduction of the idea of coaching to programs of the regional and nationwide range.

Coaching in Local Authorities in Wales (although small, nearly 30-page size) is a complete coaching project, which can be an inspiration for starting similar initiatives in the area of European governments. In terms of content, it is made up of five parts: the introduction, the theoretical part, the part containing the model of

³⁷ WLGA, *Coaching in local authorities in Wales 2011* (<http://www.wlga.gov.uk/download.php?id=4079&l=1>; access:26.03.2015).

³⁸ WLGA, *Introduction to the member development strategy* (<http://www.wlga.gov.uk/download.php?id=494&l=1>; access: 26.03.2015).

the coaching process and the evaluation part. The introduction, in addition to the synthesis of information developed in the theoretical part (definition, the benefits of coaching), contains a description of the factors that contribute to the transfer of coaching from the business sphere to local governments. Among other things, the following were considered crucial in this regard: understanding the idea of coaching and the ability to explain how coaching can contribute to the development of local leaders and the territorial unit, the use of the coaching process to develop people and structures as part of the National Development Strategy, to make coaching a part of the organizational culture (local administration), to promote the idea of coaching in and outside the organization – to provide support to all participants of the coaching process, monitoring the quality of the process, the appropriate choice of people for the project, the promotion of its results, the use of prepared documents (National Development Strategy, forms, ethical standards of the EMCC³⁹).

The WLGA project recognizes that:

1. Coaching is a process which includes a series of structured, voluntary and confidential discussions between the coach and the client, the effect of which is to be a jointly achieved set of goals.
2. In general, coaching leads to an increase in productivity and / or the client's development by unlocking his or her potential. As a result of coaching, the client improves his performance and motivation to change, a balance between his work and private life can be observed.
3. In the coaching process the coach supports the client in determining what he really wants (gaining an insight) and stimulates him to implement his own action plan.
4. The coach's function is non-directive and is based on, inter alia, active listening, asking questions, and the use of feedback.

Among the key benefits of a process implemented in such a way the following can be listed: deepened self-awareness in the field of own resources, areas of development, constraints, faster learning

³⁹ EMCC, *Code of Ethics* (<http://www.emccouncil.org/src/ultimo/models/Download/4.pdf>; access: 26.03.2015).

and increase in efficiency thanks to simpler accepting changes in attitudes and behaviours, ability to form creative solutions without judgment, which translates into a widening adoption of new activities, increased responsibility for their own decisions, development, and strengthening of self-agency and self-governing.

According to the WLGA, an asset of coaching is its naturalness and simplicity, as well as the possibility to be used at various levels of government.

The WLGA designed coaching process model consisted of three levels:

1. driven by external coaches, executive coaching for senior managers,
2. guided by an internal coach, coaching for line managers,
3. the adaptation of the idea of coaching as the management style at all levels of government.

Considering the topic of this Article, I will confine this model to the first level (executive coaching). The first level is based on supporting senior managers (in accordance with the PSMW strategy), by providing very senior leaders with training by prominent international coaches of the public and private sector, and by developing in the group of senior leaders leadership skills through coaching, conducted by representatives of the business sector. The application of executive coaching, according to the WLGA, has to cover primarily the situations in which:

1. the leader is faced with an emergency, a critical situation, which involves time and budget constraints,
2. the leader receives a promotion involving an acquisition of new responsibilities (new role)
3. the leader is in a rapid process of change, expects to be supported and helped,
4. inadequate leadership and managerial skills of the leader, or ways to build his relationship with others, lower morale in the organization and leading to internal conflicts,
5. there is a decrease of the leader's efficiency, or of subordinate units or departments,
6. there is a need to rapidly build new executive teams.

In the above cases, the coach is designed to support a leader in the process of recognizing situations through getting a wider strategic and business insight.

Assumed effects of the WLGA project apart from the local leadership development (first level) include: line managers take over the role of internal coaches in local government (second level), and the change of the organization culture for coaching (third level).

Among the practical design additions there appeared: executive appointments and a number of forms, i.e. a request for coaching in the workplace, the pattern of a contractual agreement, evaluation forms (satisfaction with the process) for the coach, the client (coachee), line manager, code of conduct for a coach, as well as the *evaluation methodology* by Alison Carter and Keith Mattack (the Institute for Employment Studies) adapted to the conditions of the local administration.

Coaching for local leaders completed a pilot in the units affiliated to the Welsh Local Government Association between August 2008 and February 2010. As a result, the pilot set the framework for the coaching process, especially at the second level, describing in detail the roles played by coaches, clients and organizations involved in the process (payers, supervisors coaches). An important finding of the pilot was to indicate that the enthusiasm accompanying the coaching process may pose a threat of using coaching as a cure for every problem experienced by the local unit. The project authors agree in this respect with Jessica Jarris, according to whom coaching works in certain cases, with putting focus on quality and methodology of the process⁴⁰. An important aspect of the success of the coaching process is the selection of appropriate coaches (certification, supervision, experience), to provide the conditions to build relationships and to carry out the process (confidentiality, concentration on the objectives of the organization, matching the coach and the client).

⁴⁰ J. Jarvis, *The case of coaching*, cited in: WLGA, *Coaching in local authorities in Wales*, 2011 (attachment).

According to studies of CMAT⁴¹, 64% of managers successfully use the method of coaching in their work, therefore there is no obstacle for the adoption of this management style by managers of local government units. This thesis is confirmed by the conclusions of the WLGA after the implementation of its project. According to the WLGA, encouraging the development of management using coaching methods will increase the number of managers using the coaching method. It will happen, inter alia, due to the acquisition of the role of internal coaches by line managers (subject to guaranteeing their professional coaching process and subsequent support). Replies for questions included in the evaluation questionnaires filled in the middle and at the end of the pilot showed that as a result of coaching 54% of managers always or often apply this style of management in their daily work, and the majority of respondents (77%) would like to further develop the ability to work in this particular way.

Final remarks

There are a number of arguments offered in favour of using executive coaching in local government in Europe. This model has been successfully used for many years in the business environment, as well as at the highest levels of public authority (including the USA). The example of local authorities in Wales clearly shows that, meeting a few key conditions, the coaching process may find its application also in local administration.

The argument for using the method of coaching in local government is the very policy of the European Union. As we know, the EU's development policy framework for 2014-2020 includes increasing innovation, investing in education, improving the efficiency of public administration⁴². Among the priorities set for Poland by

⁴¹ Carmarthenshire Manager Assessment Tool, cited in: WLGA, *Coaching in local authorities in Wales*, 2011.

⁴² EU Community (http://ec.europa.eu/regional_policy/pl/policy/how/priorities/; access:30.03.2015).

the European Commission was a demand for the development of effective administration in the direction of a business-friendly administration⁴³. All of these objectives can be achieved in the area of local government by promoting using modern management business models, including the coaching process.

Promoting coaching as a way to increase the efficiency of public administration is a rational and desirable action in the face of insufficient funds. Removing bureaucracy and modernizing the administration must be no longer equated to sending the multitude of officials to yet another training.

Professional coaching, due to its flexibility and adaptation to the client, ranks much higher than the commonly used business training. Coaching is called “the training of the future” due to clients’ declarations about the effectiveness of coaching as well as visible, deep and permanent changes in their beliefs and behaviors⁴⁴.

Executive coaching is based on a rational and research-supported⁴⁵ belief that the changes in the management process in the organization begin with the leaders, and the outcomes of this process include not only the person being coached, but have an impact on the environment, and even the culture of the organization. This process is natural and non-invasive (coaching meetings are usually held on average once every 3-4 weeks for a period of 7-9 months⁴⁶).

⁴³ W. Willak, *Polityka Spójności. Priorytety Komisji Europejskiej dla Polityki Spójności w Polsce na lata 2014-2020. Propozycje służb Komisji Europejskiej* (www.eastpoland.eu/userfiles/spojnosc/willak.ppt; access: 30.03.2015).

⁴⁴ L. Conrad, *Coaching: the training of the future?*, “Training Journal”, May 2001, pp. 21-23,

⁴⁵ Summary of dozens of studies confirming the thesis, carried out in the years 1999-2007 include publications of K. P. de Meuse, G. Dai, R.J. Lee, *Evaluating the effectiveness of executive coaching: beyond ROI?*, “Coaching. An International Journal of Theory, Research and Practice”, vol. 2, no. 2, September 2009, pp. 117-134; K.P. de Meuse, G. Dai, *The effectiveness of executive coaching: What we can learn from the research literature* (<http://www.kornferryinstitute.com/>; access: 31.03.2015).

⁴⁶ D. Coutu, C. Kauffman, *What can coaches do for you?* “Harvard Business Review”, January 2009 (<https://hbr.org/2009/01/what-can-coaches-do-for->

The idea of coaching is hidden in the belief that the client knows the solutions to his problems (he has adequate resources or the knowledge and skills to acquire them on his own), and requires only a facilitator in the form of a coach to reach them. In addition, it should be emphasized that this process is relatively simple – it does not require from the client acquiring complicated knowledge, or using tools. In fact, coaching is a conversation, in which the coach asks questions skilfully reaching the nature of the problem, and the client, making insights, formulates insightful answers to them.

Arguments weakening the legitimacy of the transfer of coaching to the realm of the non-business sphere, refer mostly to the high price (per session), the inadequate evaluation of coaching and the inability to accurately assess the return on investment. The last argument seems to be crucial for the use of public funds or the EU's, and therefore potential sources of funding coaching for local leaders.

The ROI payback ratio (Return On Investment⁴⁷) used in assessing the effectiveness of coaching has its limitations. By measuring the effectiveness of specific actions, it ignores the variables that cannot be expressed in the financial form or directly assigned as the result of the coaching process (e.g. the long-term effects). It does not include the uncontested effects of coaching such as, inter alia, growth in agency creativity, ability to cope with challenges and change, to build a balance between the objectives of the organization and their own, self-control and self-regulation skills, the ability to use creative challenges – including stress, increase in self-confidence and other skills of cooperation, communication, or to infect others with one's own ideas.

According to many studies, among others, costs of coaching pay back at least 5 times⁴⁸. You should bear in mind that coaching works

you/ar/1; access: 31.03.2015).

⁴⁷ <http://www.investopedia.com/terms/r/returnoninvestment.asp> (access: 06.04.2015).

⁴⁸ M. Anderson, *Executive briefing: Case study on the return on investment of executive coaching*, 2001 (http://www.metrixglobal.net/images/pdfs/metrixglobal_coaching_roi_briefing.pdf; access: 31.03.2015); Mc Govern

best when the basic conditions are maintained for the process⁴⁹, which is the adequate choice of coaching as a method of development⁵⁰, fitting between the coach and the client, the client's engagement resulting from the choice of the method and not the adoption of the top-down order, professionalism of the process guaranteed by the experience and confirmed by the qualifications of the coach (certification, references). Among the key elements strengthening the cooperation between the coach and the leader we can indicate the high level of trust and confidentiality⁵¹, as well as the proper use of feedback, an appropriate assessment of progress and inspiring the client to take up his own commitments.⁵²

J., Lindemann M., Vergara M., Murphy S., Barker L. and Warrenfeltz R., *Maximizing the impact of executive coaching: Behavioral change, organizational outcomes, and return on investment*, "Manchester Review" vol. 6, no. 1, 2001, pp. 1-9 (<http://www.stevehoyem.com/wp-content/uploads/2013/09/Research-benefits-of-Exec-Coaching.pdf>; access: 31.03.2015); *Executive coaching yields return on investment of almost six times its cost, says study*, "Business Wire Issue", 4 January 2001 (<http://www.theleadershipcoach.com/wp-content/uploads/2008/07/executive-coaching-yields-return-on-investment-of-almost-six-times-its-cost.pdf>; access: 31.03.2015).

⁴⁹ Among others: L.K. Johnson, *Getting more from executive coaching*, "Harvard Management Update", January 2007, pp. 3-6 (<http://www.leveight.ca/media/executivecoachingharvard.pdf>; access:31.03.2015); M.C. Anderson, *Executive briefing. Case study on the return on investment of executive coaching*, 2001 (http://www.metrixglobal.net/images/pdfs/metrixglobal_coaching_roi_briefing.pdf; access: 31.03.2015); Corporate Leadership Council, *Maximizing returns of professional executive coaching*, May 2003 (<http://www.innovativeleader.com/pdf/MaximizeRetrnsonCoaching.pdf>; access: 31.03.2015); Council Perspective, *Executive coaching fee survey*, 2008, pp. 10-14 (http://www.conference-board.org/pdf_free/councils/TCBCP006.pdf; access: 31.03.2015).

⁵⁰ A. Levinson, *Measuring and maximizing impact of executive coaching*, p. 30 (http://ceo.usc.edu/pdf/g07_22.pdf; access:31.03.2015).

⁵¹ J. Tooth, J. Higgs, A. Armstrong, *The executive's perspective on coaching*, "Training and Development", 2008, p. 16 (https://www.academia.edu/5090341/The_executives_perspective_on_coaching; access: 31.03.2015).

⁵² Mc Govern J., Lindemann M., Vergara M., Murphy S., Barker L. and Warrenfeltz R., *Maximizing the impact of executive coaching: Behavioral change*,

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Regional Diversification of Investment Needs of Municipalities in Poland and Possibilities of their Financing by Means of EU Funds in the Perspective of the Year 2020

Abstract

Municipal infrastructure is an important element conditioning the functioning and development of the settlement system of the country, especially the quantitative and qualitative development of cities. Its underdevelopment is an important barrier for the formation of local and regional development processes. In Poland, the greatest degree of accessibility to the network, as well as their highest density are characteristic for urbanized provinces, located in the north, west and south-west. Significantly lower rates characterize Polish eastern and in part central regions. Opposite tendencies are found in terms of the qualitative gaps. It is the highest in those provinces where the network and facilities are the oldest, often being well above 50 years old – located in northern, western and south-western provinces. Obtaining of EU funds is conditioned by the income possibilities of local government units. In assessing the ability to finance investment projects with the help of European Union funds in the new financial perspective, it should be noted that the size of investment needs of local governments of individual provinces is inversely proportional to the ability to finance these needs on the basis of their own budgetary potential.

Key words: municipal infrastructure, infrastructure gap, financing of municipal investments, local government

Introduction

Municipal infrastructure has a significant impact on the development and functioning of the settlement system of the country, especially on the quantitative and qualitative development of cities. Its underdevelopment is an important barrier for the formation of processes of local and regional development, and in Poland, historically speaking, it is a cause of far-reaching disproportions in functional and spatial structure of cities. It also perpetuates socio-economic and cultural differences between urban and rural areas.

The purpose of this article is to show the diversity of the level of development of municipal infrastructure in Poland at the beginning of the new perspective of the EU, to indicate shortages existing in this respect and the conditions of funding of investment needs. The material scope covers selected branches of municipal infrastructure¹, and the spatial scope – differentiation encountered in the scale of macro regions and provinces, divided into urban and rural areas.

In preparing the article, the existing literature on the subject and source materials available from the database of the CSO were used. The material scope of investment needs, particularly of a qualitative nature, was estimated on the basis of the data available from the CSO and a conducted questionnaire survey. Its results were utilised to adopt the assumptions which were used to estimate the size of investment needs.

1. Municipal infrastructure and its functions

Infrastructure can be defined as a set of basic facilities and institutions essential for the proper functioning of economy and the

¹ Due to the volume of the article, the analyses are limited to the water and sewage management system.

organization of life of the population in a given area². It is a specific economic category denoting a material base, integrally connected with a given area, serving the broadly understood needs of production and consumption. Infrastructure is also a planning term understood as rendering the land habitable, that is providing it with the necessary technical and socio-cultural facilities.

Municipal infrastructure is a set of local facilities of technical infrastructure which is important for the functioning of the territorial unit and connected to the specific form of settlement in cities and rural areas. The increase in the spatial scale of these networks and facilities is closely linked to the process of socio-economic development and technological progress.

The possibility and cost-effectiveness of the location of particular facilities and their use in a specific spatial scale depend on numerous factors, in particular the natural conditions of the area, the settlement network density, compactness of buildings, population density, as well as the size and structure of the customers' needs. The choice of the optimal spatial scale of municipal infrastructure facilities in a given area requires therefore a detailed economic analysis taking into account the impact of various factors on shaping of the cost of construction and operation of these facilities, as well as the possibility of obtaining specific utilisation outcomes. In the case of network facilities, there is a general regularity which consists in the fact that the enlargement of the spatial scale of devices supplying water or energy results in cost savings, the optimization of the spatial scale of municipal infrastructure has a major impact on economic and social efficiency of functioning of its facilities.

Municipal infrastructure facilities are characterized by a specific correlation, resulting from the essence of functional and spatial relationships. It may take the form of complementarity or substitutability. Complementarity of infrastructure facilities is reflected in their mutual complementarity (e.g. the water supply system,

² A. Ginsbert-Gebert, *Infrastruktura i jej rola w rozwoju miast. Gospodarka miejska – wybrane zagadnienia*, Warszawa: SGPiS 1976, part I, p. 79.

sewerage, wastewater treatment plants), the set of network facilities creates complementary utilities. The interdependence of municipal infrastructure facilities causes the fact that the development of some devices affects in a specific way the development of others. Linked to this, is the feature of longevity of municipal infrastructure, which makes it necessary to take into account a sufficiently long time perspective when constructing networks and facilities.

Municipal infrastructure is characterized by high land consumption, as well as capital intensity, and technical indivisibility (lumpiness) of its objects, expressed in the immanent connection of infrastructure facilities with the given area. Both of these features related to each other result in the fact that municipal infrastructure facilities which require very large capital expenditures may take the form of threshold restrictions of city development. In contrast, the social demand for municipal infrastructure is characterized by a tendency to the continuous increase resulting from the general progress of civilization³.

Functioning of infrastructure is reflected in direct effects – services, as well as indirect ones which take the form of external benefits. These benefits, creating a state of certain location conveniences, are conducive to faster economic development of areas within the coverage of infrastructural facilities⁴.

The importance of infrastructure in national economy is testified by the functions of transfer, service, location, acceleration and integration performed by it⁵. The transfer function consists in the fact that infrastructure enables to cover distances, provides necessary spatial connections. The service function is based on the fact that technical infrastructure systems perform services satisfying the needs of individual branches of national economy. The location function consists in serving a role of a localization factor provid-

³ See more in B. Malisz, *Zarys teorii kształtowania układów osadniczych*, Warszawa: Wydawnictwo Arkady 1981, p. 213.

⁴ A. Ginsbert-Gebert, *Infrastruktura ...*, part I, p. 82.

⁵ J. Leśniak, *Planowanie przestrzenne*, Warszawa: Wydawnictwo Naukowe PWN 1985, p. 140.

ing access to the infrastructure network, devices and facilities. The accelerative function lies in the fact that infrastructure is a factor enabling and accelerating comprehensive socio-economic development of specific areas, creating conditions for economic activation and settlement development. The integration function results from the relations of infrastructure with the covered area through existing networks and devices and facilities.

2. Investment needs of municipalities – identification of the infrastructure gap

2.1. The notion of the infrastructure gap

Municipal infrastructure facilities serve the needs of the population and local economy. Analyzing the processes of local and regional development we should pay attention to the interdependence of the population growth and socio-economic development of cities. The availability of infrastructure plays an important role in this process. In this sense, its development should be in the appropriate, that is at least a simple proportion to the population growth and economic potential of cities. Taking into account the deficiencies in spatial infrastructure, found in Poland, it would be expedient for this process to be more than proportional.

An infrastructure gap is a reflection of the underdevelopment of infrastructure, mainly municipal one, compared to the existing social need for specific infrastructure services. It has a quantitative and qualitative dimension. A quantitative infrastructure gap expresses quantitative underdevelopment of municipal facilities in comparison with the existing demand for services from the population and local economy. It results from historical conditions, many years of municipal facilities falling behind housing development, and in rural areas, in addition, from the far-reaching sprawl, obstructing, and sometimes outright preventing, construction or expansion of rural network devices. For many years, the size of the discussed quantitative infrastructure gap constituted a severe obstacle to the

development of cities, as well as an important factor of the stagnation of villages.

Assessing the level of the quantitative gap we can use various measures, such as: the percentage of urban and rural areas deprived of a given municipal facility, percentage share of the population deprived of a given municipal facility, rate of municipal and social service rendered per capita.

A qualitative approach to the infrastructure gap reflects the technical and moral wear of the existing municipal infrastructure and the presence of various kinds of substandards. It is usually caused by progressive wear and technical obsolescence of devices, shortage of renovation and modernization.

In summary, the sizes of investment needs in infrastructure have a quantitative dimension understood as a state of underinvestment in relation to demand reported by residents and businesses and a qualitative one being an expression of poor quality of functioning facilities.

2.2. The sectoral scope of infrastructure gap analyses.

The extent of the investment needs is diversified sectorally and territorially. The performed estimates of investment needs include the gap in the field the water and sewage management system, showing differences in individual provinces and macro-regions of the country. The sizes of needs were assessed in quantitative terms as a measurable lack / shortage of networks, facilities and devices in relation to the reported needs and in qualitative terms as the size of the needs resulting from the wear of existing assets.

Waterworks – quantitative gap

Quantitative needs were estimated on the assumption that waterworks should serve:– in option I – 100 % of residents of cities and villages, in option II – 80%.

Table 1 presents estimates of the calculations of the size of investment needs in terms of the construction of a new water supply network for Poland in general and individual macro-regions and provinces.

Table 1. Estimation of investment needs terms of the water supply network construction in 2013

Specification	The length of the water supply network in cities in 2013 in km	The total network to be built in km option I	Percentage of shortages in relation to the existing state of development option I 2013	The total network to be built in km option II 2013	Percentage of shortages in relation to the existing state of development option II
POLAND	287 651,30	40 322,43	14,02%	32 257,94	11,21%
CENTRAL REGION	64 765,50	10 325,37	15,94%	8 260,30	12,75%
Łódź Province	22 415,80	2 518,70	11,24%	2 014,96	8,99%
Masovian	42 349,70	7 753,69	18,31%	6 202,95	14,65%
SOUTHERN REGION	38 989,10	6 159,28	15,80%	4 927,42	12,64%
Lesser Poland	18 508,40	5 703,33	30,81%	4 562,67	24,65%
Silesian	20 480,70	1 400,11	6,84%	1 120,09	5,47%
EASTERN REGION	61 005,20	13 454,09	22,05%	10 763,27	17,64%
Lublin Province	20 583,00	4 545,96	22,09%	3 636,77	17,67%
Subcarpathian	14 192,30	4 312,27	30,38%	3 449,82	24,31%
Podlaskie	13 078,00	1 742,61	13,32%	1 394,09	10,66%
Świętokrzyskie	13 151,90	2 355,61	17,91%	1 884,49	14,33%
NORTH WEST REGION	47 723,30	3 738,44	7,83%	2 990,75	6,27%
Lubusz	6 730,50	759,49	11,28%	607,59	9,03%
Greater Poland	30 372,10	2 243,49	7,39%	1 794,80	5,91%
West Pomeranian	10 620,70	718,21	6,76%	574,57	5,41%
SOUTH WEST REGION	22 201,30	1 737,83	7,83%	1 390,27	6,26%
Lower Silesian	15 127,10	1 300,39	8,60%	1 040,31	6,88%
Opole Province	7 074,20	400,43	5,66%	320,35	4,53%
NORTHERN REGION	52 966,90	4 907,42	9,27%	3 925,94	7,41%

Kuyavian-Pomeranian	22 725,10	2 192,11	9,65%	1 753,69	7,72%
Pomeranian	14 980,20	1 106,97	7,39%	885,57	5,91%
Warmian-Masurian	15 261,60	1 801,05	11,80%	1 440,84	9,44%

Source: The author's calculations using data from the CSO.

Taking into account the assumptions of option I, it was estimated that in the country in order to satisfy 100% of existing needs 40.3 thousand km of the water supply network should be built. In terms of quantity, understood as the length of the remaining network to be built to satisfy the demand reported by local communities, the longest sections fall on the provinces: Masovian (7.75 thousand km), Lesser Poland (5.7 thousand km), Lublin (4.5 thousand km,) and Subcarpathian (4.3 thousand km), and the shortest on Opole (400 km), West Pomeranian (718 km), Lubusz (759 km), Pomeranian (1106 km) and Lower Silesian (1300 km).

Analyzing the size of needs in a relative dimension, as a percentage of the current state of development, we can see that in 2013 the largest range of needs is found in the provinces: Lesser Poland (30.8%), Subcarpathian (30.4%), Masovian (18.3%), Lublin (22.1%) i Świętokrzyskie (17.9%). The lowest sizes of shortages calculated in relation to the current state of development fall on the provinces: Opole (5.7%), West Pomeranian (5.7%), Silesian (6.8%), Greater Poland (7.4%) and Pomeranian (7.4%).

In the macro region arrangement, the largest sizes of needs pertain to: the east (13.5 thousand km; in 2008 it was 22.5 thousand km), the centre (10.3 thousand km; in 2008 – 20,8 thousand km) and the south (6.2 thousand km; in 2008 – 13.0 thousand km), and the smallest ones are found in the south-west (1.7 thousand km; in 2008 – 3.1 thousand km) and the north-west (3.7 thousand km; in 2008 – 6.4 thousand km).

In turn, in the estimates of option II, assuming covering of 80% of households with the water supply network, it would be necessary to construct approximately 40.3 thousand km of the water supply network. Calculating in respect to the total length of the existing

water supply network in this option in 2013, the quantitative deficiency would amount to 11.2%.

The given numbers show a larger scale of needs in the areas of agricultural character, located mainly in the regions of eastern and south-eastern Poland and a much better situation in large urban areas, as well as in the provinces of western and northern Poland. Comparing the infrastructure gap sizes calculated in 2013 in relation to 2008, it can be clearly stated that thanks to investment efforts, as well as skilful selection of sources of funding, in the years 2007-2013 it was possible to significantly speed up the process of development of the water supply network. Both the use of EU grants and the use of debt market instruments was important here. The effects of the realised tasks are visible in all regions of the country, of course, in varied quantitative dimension. It can be clearly stated that there was a reduction in recorded disproportions among individual provinces.

Table 2 presents the estimates of the size of investment needs calculated for cities in the province arrangement in 2013.

Table 2. Investment needs in terms of the water supply network construction in cities in 2013

Specification	The length of the water supply network in cities in 2013 in km	The total network to be built in km option I	Percentage of shortages in relation to the existing state of development option I 2013	The total network to be built in km option II	Percentage of shortages in relation to the existing state of development option II
POLAND	64 186,60	2 995,13	4,67%	2 392,07	3,73%
CENTRAL REGION	12 132,30	961,61	7,93%	763,85	6,30%
Łódź Province	4158,0	242,65	5,84%	194,12	4,67%
Masovian	7974,3	712,16	8,93%	569,73	7,14%

SOUTHERN REGION	15 213,50	598,99	3,94%	470,96	3,10%
Lesser Poland	4379,9	273,44	6,24%	218,75	4,99%
Silesian	10833,6	315,26	2,91%	252,21	2,33%
EASTERN REGION	9 537,60	584,68	6,13%	477,79	5,01%
Lublin Province	2718,6	174,19	6,41%	139,36	5,13%
Subcarpathian	2999,2	247,45	8,25%	197,96	6,60%
Podlaskie	1903,1	76,84	4,04%	61,47	3,23%
Świętokrzyskie	1916,7	98,75	5,15%	79,00	4,12%
NORTH WEST REGION	11 082,60	377,72	3,41%	303,44	2,74%
Lubusz	2055,4	86,20	4,19%	68,96	3,36%
Greater Poland	5930,3	193,00	3,25%	154,40	2,60%
West Pomeranian	3096,9	100,09	3,23%	80,08	2,59%
SOUTH WEST REGION	6 856,30	212,01	3,09%	168,97	2,46%
Lower Silesian	5323,8	172,32	3,24%	137,85	2,59%
Opole Province	1532,5	38,90	3,09%	168,97	2,46%
NORTHERN REGION	9 364,30	260,11	2,78%	207,06	2,21%
Kuyavian-Pomeranian	3137,8	123,17	3,93%	98,54	3,14%
Pomeranian	3923,4	77,81	1,98%	62,25	1,59%
Warmian-Masurian	2303,1	57,85	2,51%	46,28	2,01%

Source: The author's calculations using data from the CSO.

The size of investment needs of cities were varied geographical-ly depending on the current state of development and the existing settlement structure. The biggest shortages are found in cities of the following provinces (data for option I): Masovian (712 km), Silesian (311km), Lesser Poland (273 km), Subcarpathian (248 km) and Łódź (242 km), and their smallest size in: Opole (38 km), Warmian-Masurian (58 km), Podlaskie (77 km), Lubusz (86 km) and West Pomeranian (100 km).

In relative terms, calculated as a percentage in relation to the current state of development, with the national average of 4.67%, the largest scale of shortages occurred in the provinces: Masovian (8.9%), Subcarpathian (8.2%), Lublin (6.4%); Lesser Poland (6.2%) and Łódź (5.8%), and the smallest in: Pomeranian (2.0%), Warmian-

Masurian (2.5%), Opole (2.5%), Silesian (2.9%), West Pomeranian (3.2%), Lower Silesian (3.2%). The level of shortages for option II, according to the adopted assumptions, is accordingly lower (data in Table 2).

It is much more difficult to estimate the size of investment needs for rural areas than for cities. Among the reasons for this fact, we must first of all mention big regional differences in the accessibility to the water supply network and settlement density diversity (the issue of the economic efficiency of such investments). Thus, in Polish conditions an important problem is to determine the target level of equipping the countryside with the water supply network. When estimating the size of investment needs of municipalities, the achievement of the target level of the collective water supply network in the country was assumed: in option I – 100% of the total population living there (which in Polish conditions is rather not possible for the above reasons), and in option II – 80% of the total population living there. The results of the calculations are shown in Table 3.

Table 3. Investment needs in terms of the water supply network construction in rural areas in 2013

Provinces	The length of the water supply network in the countryside in km	The total network to be built in km option I	Percentage of shortages in relation to the existing state of development option I	The total network to be built in km option II	Percentage of shortages in relation to the existing state of development option II
POLAND	223 464,70	67 685,96	30,29%	53 910,97	24,13%
CENTRAL REGION	52 633,20	17 636,26	33,51%	14 179,83	26,94%
Łódź Province	18257,8	4 019,74	22,02%	3 215,79	17,61%
Masovian	34375,4	13 705,05	39,87%	10 964,04	31,90%
SOUTHERN REGION	23 775,60	11 281,05	47,45%	9 413,52	39,59%

Lesser Poland	14128,5	9 558,31	67,65%	7 646,65	54,12%
Silesian	9647,1	2 208,59	22,89%	1 766,87	18,32%
EASTERN REGION	51 467,60	20 947,24	40,70%	15 921,88	30,94%
Lublin Province	17864,4	7 112,17	39,81%	5 689,74	31,85%
Subcarpathian	11193,1	5 847,19	52,24%	4 677,75	41,79%
Podlaskie	11174,9	3 485,58	31,19%	2 788,47	24,95%
Świętokrzyskie	11235,2	3 457,41	30,77%	2 765,93	24,62%
NORTH WEST REGION	36 640,70	5 608,16	15,31%	4 431,55	12,09%
Lubusz	4675,1	1 214,08	25,97%	971,26	20,78%
Greater Poland	24441,8	3 166,95	12,96%	2 533,56	10,37%
West Pomeranian	7523,8	1 158,41	15,40%	926,73	12,32%
SOUTH WEST REGION	15 345,00	2 742,49	17,87%	2 223,26	14,49%
Lower Silesian	9803,3	2 264,69	23,10%	1 811,75	18,48%
Opole Province	5541,7	514,38	9,28%	411,50	7,43%
NORTHERN REGION	43 602,60	9 470,76	21,72%	7 740,93	17,75%
Kuyavian-Pomeranian	19587,3	3 825,53	19,53%	3 060,42	15,62%
Pomeranian	11056,8	2 122,43	19,20%	1 697,94	15,36%
Warmian-Masurian	12958,5	3 728,20	28,77%	2 982,56	23,02%

Source: The author's calculations using data from the CSO.

Due to the arrangement of the settlement network existing in Poland, it seems more apt to accept the second option assumptions in order to identify the investment needs of municipalities located in rural areas. Indeed, not all areas, due to the existing dispersed housing development, will be subject to attachment to the collective water supply system. For economic reasons, the use of individual supply devices is more efficient there.

According to statistics available in Poland, in 2013 76.6% of the rural population had access to the water supply system. Estimating the size of the infrastructure gaps, in line with option I, to achieve 100% of the rural water supply network currently approximately 67.7 thousand km of the network should be built, and in option II, for 80% of rural population to be served by the water supply system, it would be necessary to build approximately 53.9 thousand km of the network.

The sizes of needs are varied territorially, depending on the current state of development and the local structure of the settlement network. The greatest needs in relation to the existing state of development, with the average for the country amounting to 30.29% (and in option II 24.13%), are found in the provinces (data for option II): Lesser Poland (67.7%), Subcarpathian (52.2%), Masovian (39.9%), Lublin (39.8%), Podlaskie (31.2%), Świętokrzyskie (30.8%), and the smallest in: Opole (9.3%), Greater Poland (12.96%), West Pomeranian (15.4%), Pomeranian (19.2%), Kuyavian-Pomeranian (19.5%), and Łódź (22.0%).

In quantitative terms, in option II, which is more suited to Polish conditions of the settlement network, the longest network sections requiring construction are characteristic for the provinces: Masovian (10.9 thousand km), Lesser Poland (7.6 thousand km), Lublin Province (5.7 thousand km), Subcarpathian (4.7 thousand km) and Łódź (3.2 thousand km), and the shortest for Opole (411 km), West Pomeranian (927 km) and Lubusz (971 km).

The given numbers indicate a larger scale of needs in the regions of eastern and central Poland. The situation is much better in the areas of large cities and provinces of western and northern Poland.

The sewage system – investment needs arising from the quantitative gap

For the purposes of the estimates of tangible investment needs of municipalities, in terms of equipment in the sewage system, in option I it was assumed that the sewage system will be used by 100% of the urban population, and in option II – 80%. The sizes of investment needs for cities in the province arrangement, in absolute and relative numbers, are presented in Table 4.

According to the conducted estimates in option I in order to cover 100% of the population of residents of our country, the length of the sewerage system would have to increase by more than 71 thousand km, in option II by approximately 53.5 thousand km. Calculating in relation to the sewerage network existing in 2013, the size of the infrastructure gaps in the country was: in option I – approximately 53.7%, in option II – 40.3%.

Table 4. Sizes of investment needs in terms of the sewerage network in 2013 by province.

Provinces	The length of the sewage system in Poland in 2013 in km	The total network to be built in km option I	Percentage of shortages in relation to the existing state of development option I – target condition	The total network to be built in km option II	Percentage of shortages in relation to the existing state of development option II
POLAND	132 916,00	71 362,38	53,69%	53 521,78	40,27%
CENTRAL REGION	19 051,50	10 968,10	57,57%	8 226,07	43,18%
Łódź Province	5971,1	3 826,29	64,08%	2 869,72	48,06%
Masovian	13080,4	7 151,11	54,67%	5 363,34	41,00%
SOUTHERN REGION	25 910,70	13 972,84	53,93%	10 479,63	40,45%
Lesser Poland	12370,9	9 715,82	78,54%	7 286,86	58,90%
Silesian	13539,8	5 394,57	39,84%	4 045,93	29,88%
EASTERN REGION	28 943,60	22 308,91	77,08%	16 731,68	57,81%
Lublin Province	5538,1	5 614,23	101,37%	4 210,67	76,03%
Subcarpathian	15073,9	9 008,11	59,76%	6 756,08	44,82%
Podlaskie	3166,4	1 932,91	61,04%	1 449,69	45,78%
Świętokrzyskie	5165,2	4 676,64	90,54%	3 507,48	67,91%
NORTH WEST REGION	22 148,40	10 263,48	46,34%	7 697,61	34,75%
Lubusz	3315,0	1 746,20	52,68%	1 309,65	39,51%
Greater Poland	11549,3	6 320,06	54,72%	4 740,04	41,04%
West Pomeranian	7284,1	2 116,29	29,05%	1 587,21	21,79%
SOUTH WEST REGION	13 626,70	6 169,25	45,27%	4 626,93	33,95%
Lower Silesian	9647,4	3 988,18	41,34%	2 991,14	31,00%
Opole Province	3979,3	2 308,58	58,01%	1 731,44	43,51%
NORTHERN REGION	23 235,10	9 358,83	40,28%	7 019,12	30,21%
Kuyavian-Pomeranian	7384,2	3 794,17	51,38%	2 845,63	38,54%
Pomeranian	9551,9	2 703,19	28,30%	2 027,39	21,23%
Warmian-Masurian	6299,0	2 925,19	46,44%	2 193,89	34,83%

Source: The author's calculations using data from the CSO.

The longest sections of the network (in option I) remain to be built in the provinces: Lesser Poland (9.7 thousand km), Subcarpathian (9.0 thousand km), Masovian (7.2 thousand km), Greater Poland (6.3 thousand km) and Lublin (5.6 thousand km), and the shortest in: Lubusz (1.7 thousand km), Podlaskie (1.9 thousand km), West Pomeranian (2.1 thousand km), Opole (2.3 thousand km), Pomeranian (2.7 thousand km) and Warmian-Masurian (2.9 thousand km).

In the arrangement of macro regions the largest range of investment needs in quantitative terms concerns: the eastern region (22.3 thousand km) and then the southern one (13.97 thousand km) and the central region (22.3 thousand km). Shorter sections of the network to be built occur in the south-west (6.2 thousand km), north (9.3 thousand km) and north-west (10.3 thousand km) regions.

In the relative arrangement, while the national average is 53.7%, the highest percentage (compared to the existing network) of tangible investment needs for the expansion of the sewage system applies to the following provinces: Lublin (101,4%), Świętokrzyskie (90,5%), Lesser Poland (78,5%), Łódź (64,1%), Podlaskie (61,0%), Subcarpathian (59,8%), and Opole (58,0%), and the lowest to Pomeranian (28,3%), West Pomeranian (29,1%), Silesian (39,8%), Lower Silesian (41,3%), Warmian-Masurian (46,4%), Kuyavian-Pomeranian (51,4%) and Lubusz (52,7%).

Similarly to the estimates carried out for the water supply, in the case of the sewerage system there is diversity in the size of needs, in close connection with the location and nature of the provinces. Areas with a higher degree of urbanization are much better developed. A larger scale of needs characterizes regions with the lower population density and the dominance of rural areas.

Detailed specifications of the size of needs are estimates made separately for urban and rural areas. The calculation results are shown in Tables 5 and 6.

Table 5. Sizes of investment needs of cities in terms of the sewerage network in 2013 by province

Provinces	The length of the sewage system in cities in Poland in 2013 in km	The total network to be built in km option I	Percentage of shortages in relation to the existing state of development option I – target condition	The total network to be built in km option II	Percentage of shortages in relation to the existing state of development option II
POLAND	57 626,10	8 271,38	14,35%	6 730,92	11,68%
CENTRAL REGION	10 323,90	1 548,57	15,00%	1 245,23	12,06%
Łódź Province	3441,7	600,50	17,45%	480,40	13,96%
Masovian	6882,2	956,04	13,89%	764,83	11,11%
SOUTHERN REGION	14 024,70	2 696,30	19,23%	2 151,61	15,34%
Lesser Poland	4688,4	769,69	16,42%	615,75	13,13%
Silesian	9336,3	1 919,82	20,56%	1 535,86	16,45%
EASTERN REGION	9 142,30	1 329,91	14,55%	1 080,71	11,82%
Lublin Province	2395,3	365,94	15,28%	292,75	12,22%
Subcarpathian	3461,6	521,65	15,07%	417,32	12,06%
Podlaskie	1670,1	178,19	10,67%	142,56	8,54%
Świętokrzyskie	1615,3	285,11	17,65%	228,09	14,12%
NORTH WEST REGION	9 402,90	1 163,08	12,37%	937,61	9,97%
Lubusz	1763,2	230,27	13,06%	184,22	10,45%
Greater Poland	4891,9	663,97	13,57%	531,18	10,86%
West Pomeranian	2747,8	277,77	10,11%	222,22	8,09%
SOUTH WEST REGION	5 878,90	851,03	14,48%	679,10	11,55%
Lower Silesian	4490,4	661,94	14,74%	529,55	11,79%
Opole Province	1388,5	186,94	13,46%	149,55	10,77%
NORTHERN REGION	8 853,40	783,34	8,85%	636,65	7,19%
Kuyavian-Pomeranian	3146,2	406,69	12,93%	325,35	10,34%
Pomeranian	3481,5	223,00	6,41%	178,40	5,12%
Warmian-Masurian	2225,7	166,13	7,46%	132,90	5,97%

Source: The author's calculations using data from the CSO.

Table 6. Sizes of investment needs of rural areas in terms of the sewerage network in 2013 by province

Provinces	The length of the sewage system in Poland in 2013 in km	The total network to be built in km option I	Percentage of shortages in relation to the existing state of development option I – target condition	The total network to be built in km option II	Percentage of shortages in relation to the existing state of development option II
POLAND	75 289,90	167 561,67	222,56%	107 368,41	142,61%
CENTRAL REGION	8 727,60	31 124,45	356,62%	20 345,92	233,12%
Łódź Province	2529,4	10 783,23	426,32%	7 009,10	277,11%
Masovian	6198,2	20 518,18	331,03%	13 336,82	215,17%
SOUTHERN REGION	11 886,00	28 542,57	240,14%	18 826,00	158,39%
Lesser Poland	7682,5	20 152,64	262,32%	13 099,22	170,51%
Silesian	4203,5	8 810,43	209,60%	5 726,78	136,24%
EASTERN REGION	19 801,30	48 011,37	242,47%	29 219,18	147,56%
Lublin Province	3142,8	14 613,13	464,97%	9 498,54	302,23%
Subcarpathian	11612,3	13 909,24	119,78%	9 041,01	77,86%
Podlaskie	1496,3	6 378,96	426,32%	4 146,33	277,11%
Świętokrzyskie	3549,9	10 051,25	283,14%	6 533,31	184,04%
NORTH WEST REGION	12 745,50	21 608,95	169,54%	13 757,52	107,94%
Lubusz	1551,8	4 371,10	281,68%	2 841,22	183,09%
Greater Poland	6657,4	11 938,69	179,33%	7 760,15	116,56%
West Pomeranian	4536,3	4 855,63	107,04%	3 156,16	69,58%
SOUTH WEST REGION	7 747,80	14 709,59	189,86%	9 622,04	124,19%
Lower Silesian	5157,0	10 237,03	198,51%	6 654,07	129,03%
Opole Province	2590,8	4 566,11	176,24%	2 967,97	114,56%
NORTHERN REGION	14 381,70	23 564,74	163,85%	15 597,75	108,46%
Kuyavian-Pomeranian	4238,0	8 882,74	209,60%	5 773,78	136,24%
Pomeranian	6070,4	6 576,27	108,33%	4 274,57	70,42%
Warmian-Masurian	4073,3	8 537,54	209,60%	5 549,40	136,24%

Source: The author's calculations using data from the CSO.

The calculations show the need to build new sections of the municipal sewerage system with the length of approximately 8.3 thousand km in option I and 6.7 thousand km in option II. In relation to the existing network length, it constitutes respectively 14.4% (option I) and 11.7% (option II).

The conducted analysis of variation by province shows that in option I – desired to be implemented – in cities, in a physical unit dimension, the longest stretches of the sewage system will have to be built mainly in highly urbanized provinces: Silesian (1.9 thousand km), Masovian (956 km), Lesser Poland (769 km), Greater Poland (664 km), Lower Silesian (661km) and Łódź (600 km). The lowest sizes of needs exist in: Warmian-Masurian (166 km), Podlaskie (178 km), Opole (186 km), Pomeranian (223 km) and Lubusz (230 km). Diversification of investment needs of cities in the construction of the sewage system is slightly different than in the case of the water supply system. In addition to the recurring territorial differences, a big gap is also revealed in the highly urbanized region of Silesia, and in many Masovian cities.

Analyzing the size of needs as a percentage of deficits in relation to the current state of construction, the highest sizes of needs are recorded in the following provinces: Silesian (20.6%), Świętokrzyskie (17.6%), Łódź (17.4%), Lesser Poland (16.4%) and Lublin (15.3%), and the lowest in: Pomeranian (6.4%), Warmian-Masurian (7.5%), West Pomeranian (10.1%), Podlaskie (10.7%), Kuyavian-Pomeranian (12.9%) and Lubusz (13.1%).

With regard to the investment needs occurring in the sewerage of rural areas, the results of the estimates are very territorially diversified. This is related primarily to the different accessibility to the networks in different regions of the country and the different pace of carrying out new investments. The estimates were made for two options: option I is the assumption of 100% accessibility to the network and option II is the 65% accessibility to the sewage system.

The sizes of needs calculated for rural areas are much higher than for cities, and also higher than shown in the estimates carried out for the water supply system. On the national scale in option I they amount to 167.6 thousand km and in option II to 107.4 thousand km.

In relation to the existing network (100%), it means the relative deficiency is respectively – 222.6% and 142.6%.

In the territorial arrangement the longest sections of the sewerage system will have to be built in the provinces (the results of calculations for the more real option II): Masovian (13.3 thousand km), Lesser Poland (13.1 thousand km), Lublin (9.5 thousand km) Subcarpathian (9.0 thousand km), and Greater Poland (7.8 thousand km). The quantitatively smallest sizes of needs occur in: Lubusz (2.8 thousand km), Opole (2.97 thousand km), West Pomeranian (3.2 thousand km), Podlaskie (4.1 thousand km) and Pomeranian (4.3 thousand km).

When analyzing the size of needs in relation to the current state of development, we should pay attention to the fact that in most provinces there is a need for the significant extension of the existing network. The largest range of needs is observed in: Lublin (302%), Podlaskie and Łódź (277%), Masovian (215%), Świętokrzyskie (184%) and Lubusz (183%). In this respect the situation looks the best in: West Pomeranian (69.6%), Pomeranian (70.4%), Subcarpathian (77.9%), Opole (114.6%) and Greater Poland (116.6%).

A very important issue is the territorial distribution of investment needs. Their maximum size is recorded in the provinces of eastern and central Poland. Despite the fact that there is a decreasing trend in the scale of the differences, historical conditions are still relevant there. These areas are characterized by the lower level of development, the lower economic base, as well as lower levels of the population income. This translates directly into the size of budget revenues of municipalities which are the main investor in the field of municipal infrastructure. Low budget revenues, with simultaneous high running costs, result in low self-investment potential of municipalities located in the area.

The water supply and sewerage system – the qualitative gap – the need for replacement and modernization

The estimates of the sizes of needs arising from the qualitative infrastructure gap were based on surveys conducted in municipalities regarding the age of the network assets and facilities of the water and

sewage system, as well as the available CSO statistics. The calculations were performed by grouping data for cities on the level of individual provinces. The conducted surveys helped make assumptions on the age structure of the water supply network in Polish cities in 2013. The calculation results are shown in Table 7.

The results of the calculations show that the highest proportion occurs in territorial units located mainly in the north-western, northern and south-western provinces. The highest percentage of the network to be replaced (in the total length of the network) falls on the provinces: Opole (20.4%), Lower Silesian (20.3%), Pomeranian (19.9%), Warmian-Masurian (19.6%), Lubusz and Silesian (19.4%) and West Pomeranian (17.0%). The reason for this is mainly high proportion of the old network, whose age exceeds 50 years, or is in the range 31-50 years. The lowest modernization needs are in the provinces: Subcarpathian (9.2%), Podlaskie (11.8%), Świętokrzyskie and Lesser Poland (11.9%) and Masovian (12.8%).

In absolute values, measured in kilometres, the greatest needs for replacement and modernization of the network were recorded in the provinces: Silesian (2.1 thousand km), Lower Silesian (1.1 thousand km), Masovian (1.0 thousand km), Greater Poland (0.8 thousand km), Pomeranian (0.78 thousand km), Łódź (0.61 thousand km) and West Pomeranian (0.5 thousand km), and the smallest in: Podlaskie (223 km), Świętokrzyskie (227 km), Subcarpathian (276 km), Opole (312 km) and Lublin (326 km).

As in the case of the water supply system, also for the sewerage network the estimates of the size of needs of the qualitative infrastructure gap were based on survey research on the age of the property and facilities of the water and sewage networks and the CSO statistics. The calculations were performed by grouping data for cities on the level of individual provinces.

Examining the relative sizes of quantitative needs in terms of the sewerage system, it should be emphasized that the largest percentage of the network that requires replacement or upgrading falls on the provinces: Opole (28.6%), Lower Silesian (28.5%), Warmian-Masurian (28.2%), West Pomeranian (27.3%), Lubusz (27.1%), Pomeranian (27.0%). In turn, the lowest percentage of this type

Table 7. The qualitative gap in terms of the water supply system in cities in Poland in

Provinces	The water supply network			The sewage network		
	The length of the network in Poland in 2013 in km	Modernisation needs in km	Percentage of the network requiring modernisation	The length of the network in Poland in 2013 in km	Modernisation needs in km	Percentage of the network requiring modernisation
POLAND	64 186,60	10 189,63	15,87%	57 626,10	10 261,90	17,80%
CENTRAL REGION	12 132,30	1 632,98	13,46%	10 323,90	1 082,91	10,49%
Łódź Province	4158,00	611,48	14,71%	3441,70	373,56	10,85%
Masovian	7974,30	1 021,51	12,81%	6882,20	709,35	10,31%
SOUTHERN REGION	15 213,50	2 619,34	17,22%	14 024,70	2 551,49	18,19%
Lesser Poland	4379,9	521,73	11,91%	4688,4	446,99	9,53%
Silesian	10833,6	2 097,60	19,36%	9336,3	2 104,50	22,54%
EASTERN REGION	9 537,60	1 052,91	11,04%	9 142,30	886,42	9,70%
Lublin Province	2718,6	326,12	12,00%	2395,3	297,88	12,44%
Subcarpathian	2999,2	275,63	9,19%	3461,6	270,59	7,82%
Podlaskie	1903,1	223,92	11,77%	1670,1	140,22	8,40%
Świętokrzyskie	1916,7	227,24	11,86%	1615,3	177,72	11,00%
NORTH WEST REGION	11 082,60	1 748,24	15,77%	9 402,90	1 909,23	20,30%
Lubusz	2055,4	399,65	19,44%	1763,2	477,60	27,09%
Greater Poland	5930,3	822,77	13,87%	4891,9	680,41	13,91%
West Pomeranian	3096,9	525,82	16,98%	2747,8	751,22	27,34%
SOUTH WEST REGION	6 856,30	1 394,99	20,35%	5 878,90	1 678,95	28,56%
Lower Silesian	5323,8	1 082,54	20,33%	4490,4	1 281,25	28,53%
Opole Province	1532,5	312,45	20,39%	1388,5	397,71	28,64%
NORTHERN REGION	9 364,30	1 741,16	18,59%	8 853,40	2 152,89	24,32%
Kuyavian-Pomeranian	3137,8	509,70	16,24%	3146,2	585,10	18,60%
Pomeranian	3923,4	780,05	19,88%	3481,5	941,08	27,03%
Warmian-Masurian	2303,1	451,41	19,60%	2225,7	626,71	28,16%

Source: The author's calculations using data from the CSO.

of needs is characteristic for: Subcarpathian (7.8%), Podlaskie (8.4%), Lesser Poland (9.5%), Masovian (10.3%), Łódź (10.9%) and Świętokrzyskie (11.0%).

When analyzing the size of the qualitative gap in the sphere of the sewage system in absolute terms – as the length of the network that requires renovation and modernization, the greatest needs are in the provinces: Silesian (2104 km), Lower Silesian (1281 km), Pomeranian (941 km), West Pomeranian (751 km), Masovian (709 km) and Greater Poland (680 km), and the smallest in: Podlaskie (140 km), Świętokrzyskie (178 km), Subcarpathian (271 km) and Lublin (298 km).

To sum up this part of the analysis, it should be stressed that investments in the field of water supply and sewage management are important tasks of local governments. This is evidenced by both the expectations formulated by residents and the provisions contained in the development strategies and long-term investment plans. The greatest degree of accessibility to the networks, as well as their highest density is characteristic for urbanized provinces, located in northern, western and south-western Poland. These are, however, largely depreciated assets. Regions of eastern and in part central Poland are characterised by significantly lower rates. There are opposite trends in terms of the qualitative gaps. It is the highest in those provinces where the network and facilities are the oldest, being often well above 50 years old – located in northern, western and south-western provinces. The relatively long stretches of the new network, resulting from the investment momentum of municipalities, are found in eastern and in part central Poland.

Wastewater treatment

When Poland joined the European Union it committed itself to fulfil the requirements of the Council Directive 91/271/EEC of 21 May 1991 concerning urban waste-water treatment⁶ in accordance

⁶ OJ L 135, 30.5.1991, p. 40–52 as amended; special edition in Polish: chapter 15, vol. 002, pp. 26 – 38.

with the terms and transition periods specified in the negotiations and recorded in the Treaty of Accession. In order to identify the real needs in the field of sewage management and prioritize their implementation in such a way as to meet the treaty obligations, the National Programme for Municipal Waste Water Treatment (NPM-WWT) was created. The NPMWWT prepared in 2003 covered 1378 agglomerations and scheduled the construction, expansion and/or modification of 1163 municipal waste water treatment plants, and its update from 2005 of 1734 waste water treatment plants.

The years 2007-2013 are a period of many investments in sewage treatment plants. Analyzing the distribution ratio of the population using sewage treatment plants, attention should be paid to the still existing big difference in the value of the above ratio between the more developed Polish western regions and areas in eastern and central Poland. In 2013, on average, in municipalities of the northern region 76.6% of the population used wastewater treatment plants, and only 62.1% in the eastern region. The highest rate of growth of population using sewage treatment plants characterized municipalities of the central region and among provinces Subcarpathian (the lowest is in Lower Silesian Province). Despite the high rate of growth of water and sewage infrastructure in the eastern region, the part of the population using sewage treatment plants is still low. This situation can be explained by other factors beyond the control of local governments' investment policies, such as the quite large fragmentation of the settlement network which translates into higher costs of connecting households to the network, geological conditions, some residents' reluctance to participate financially in the construction of the connections.

On the national scale, the number of industrial and municipal waste water treated in the percentage of wastewater requiring treatment amounted to 94% in 2013. The highest increase in the above rate was recorded in urban municipalities, which was caused by relatively better equipment of urban areas with wastewater treatment infrastructure. On the national scale, the BOD5 pollution load in wastewater after treatment has decreased in the last ten years by approximately 65%.

3. The possibilities of financing investment needs with European Union grants

Polish membership in the European Union gives Polish municipalities the possibility of obtaining financial support in the form of EU grants. In order to obtain them, local governments must have a sufficiently high self-financial potential which makes it possible to make personal contribution to the implementation of investment projects. In 2007-2013, the average financing of municipal projects with the EU funds amounted to 58.35%⁷. It is important for municipalities implementing a wide range of current and developmental tasks in the new financial perspective, covering the period 2014-2020, to be able to provide funds for co-financing of new investment projects and their proper functioning. Additionally, formal and legal aspects should also be taken into account here, which result mainly from the provisions of the Law on public finance. They pertain mainly to two basic fiscal rules – the level of operating surplus and the individual debt ratio⁸.

In order to illustrate the financial situation of municipalities, Table 8 shows the data and the results of calculations showing the level and dynamics of revenues of municipalities and cities with district rights for the years 2007-2013 in the summed province arrangement.

⁷ More in: J. Sierak, *Potencjał jednostek samorządu terytorialnego do absorpcji funduszy unijnych w nowej perspektywie finansowej*, [In:] *Zwrotne instrumenty finansowe w procesie stymulowania rozwoju regionalnego*, A. Alińska (ed.), Warszawa: SGH 2013, p. 185.

⁸ The first one specifies that planned current spending cannot be higher than expected current revenues enlarged by budget surplus from previous years and free resources. The other one refers to the acceptable level of debt, specifying that the ratio of the sum of loan and credit instalment repayments and redemption of securities, together with due interest (including discount) and potential payments of granted guarantees and sureties to the planned total income cannot exceed the arithmetical average calculated for the last three years of operating surplus (plus revenues from the sale of assets) to total revenues.

Table 8. Municipal revenues in 2007-2013 by province in million PLN

Province	2007	2009	2010	2012	2013	2013/2007 2007=100	Municipal revenues per 1 inhabitant in PLN
Lower Silesian	8 306,58	8 772,93	9 864,22	11 002,02	11 345,82	136,59	3 897,51
Kuyavian- -Pomeranian	5 359,85	6 016,16	6 448,63	7 319,29	7 645,71	142,65	3 651,09
Lublin Province	4 875,97	5 581,21	6 290,94	7 142,50	7 351,27	150,77	3 402,56
Lubusz	2 641,63	2 874,11	3 071,20	3 244,70	3 440,23	130,23	3 365,34
Łódź Province	6 317,29	7 292,59	7 729,43	8 572,68	9 326,10	147,63	3 704,09
Lesser Poland	8 558,32	9 735,84	10 836,99	11 449,54	11 812,35	138,02	3 518,93
Masovian	18 497,20	19 925,67	21 124,74	23 876,90	24 400,55	131,91	4 597,56
Opole Province	2 451,17	2 634,89	2 905,51	3 099,63	3 140,31	128,12	3 118,49
Subcarpathian	4 915,18	5 621,64	6 628,74	6 834,13	7 046,88	143,37	3 310,40
Podlaskie	2 861,28	3 547,45	3 843,31	4 222,65	4 283,79	149,72	3 580,31
Pomeranian	6 618,51	6 964,46	8 024,45	9 470,41	9 465,89	143,02	4 129,15
Silesian	12 714,84	13 962,27	15 209,69	16 392,30	17 249,61	135,67	3 744,71
Świętokrzyskie	2 855,94	3 480,95	4 097,35	4 108,96	4 234,67	148,28	3 333,70
Warmian- Masurian	3 639,37	4 031,52	4 481,98	4 963,00	5 118,37	140,64	3 534,08
Greater Poland	8 730,79	9 704,20	10 347,94	11 713,61	11 905,16	136,36	3 437,40
West Pomeranian	4 532,63	5 063,77	5 290,95	6 242,16	6 493,31	143,26	3 776,00
Poland in total	103 876,55	115 209,66	126 196,09	139 654,50	144 260,00	138,88	3 746,78

Source: The author's calculations on the basis of data from the Ministry of Finance.

On the basis of the data in Table 8, it can be concluded that the amount of income of municipalities is strongly correlated with the level of economic development and the degree of urbanization of the area. An example are the values recorded for the following provinces: Masovian (24,400.6 million PLN – 16.9% of total revenue in Poland), Silesian (17,249.6 million PLN; 11.9%), Greater Poland (11,905.2 million PLN; – 8.3%) and Lesser Poland (11,812.4 million PLN; 8.2%). These areas, representing 29.7% of the country's area and inhabited

by 43.5% of the population, accounted for 45.3% of the total budget revenues of local government units in Poland. In the same year the lowest revenues were recorded in the provinces: Opole (3,140.3 million PLN – 2.2% of the total revenues of local government units in Poland), Lubusz (3,440.2 million PLN – 2.4%), Świętokrzyskie (4,234.7 million PLN – 2.9%), Podlaskie (4,283.8 million PLN – 3.0%), that is mostly in areas with a lower level of economic development, located in the eastern and central regions of the country.

The examination of the dynamics of changes showed the growth in the value of income in all provinces. In the analyzed period the highest increase in revenue characterized regional governments of the provinces: Lublin Province (+50,8%), Podlaskie (+49,7%), Świętokrzyskie (+48,3%), Łódź (+47,6%), and the lowest: Opole (+28,1%), Lubusz (+30,2%), Masovian (+31,9%), Silesian (+35,7%) and Greater Poland (+36,4%). The dynamics of changes in different regions of the country varied, higher growth characterized units with the lower level of income, located primarily in the eastern regions of the country. Here, the results of the compensation mechanism are visible, as well as the effects of the use of EU funding. Financial policies implemented by local authorities also affect the differences which occur locally.

The above Tables show that in spite of the ongoing process of socio-economic development, the amount of obtained income for local budgets is still closely interdependent with their economic base⁹. This thesis is confirmed by the calculation of their total income per capita. The average value for the Poland reached the value of 3746.8 PLN in 2013. The obtained calculation results allow us to group provinces in the following way, according to the size of the generated income:

- income exceeding 4 000 PLN per capita – 2 provinces – Masovian – 4129 PLN, Pomeranian – 4598 PLN;

⁹ Cf. J. Sierak, *Potencjał jednostek samorządu terytorialnego do absorpcji funduszy unijnych w nowej perspektywie finansowej*, [In:] *Zwrotne instrumenty finansowe w procesie stymulowania rozwoju regionalnego*, A. Alińska (ed.), Warszawa: Szkoła Główna Handlowa 2013, p. 183.

- income in the range of 3701 PLN – 4000 PLN – 4 provinces – Lower Silesian (3898 PLN), West Pomeranian (3776 PLN), Silesian (3744 PLN) and Łódź (3704 PLN);
- income in the range of 3501 PLN – 3700 PLN – 6 provinces – Kuyavian-Pomeranian (3651 PLN), Podlaskie (3580 PLN), Warmian-Masurian (3534 PLN), Lesser Poland (3519 PLN);
- income in the range of 3101 PLN – 3500 PLN – Greater Poland (3437 PLN), Lublin Province (3403 PLN), Lubusz (3356 PLN), Świętokrzyskie (3334 PLN), Subcarpathian (3310 PLN) and Opole (3118 PLN).

The given values confirm the fact that the highest rate characterises cities with district rights and municipalities and other urbanized and industrialized entities. Governments of less populated and less industrialized regions are in a worse situation. Here, especially agricultural areas of eastern, south-eastern and in part central Poland manifest themselves. The study also shows a higher level of income per capita in urban than in rural and semi-urban areas. All this confirms the thesis pronounced earlier that the financial potential of municipalities is closely related to the level of economic development of the area, the function of core centres and the size of population.

A local determinant is also the financial policy of local authorities. It determines the efficiency of the use of available budgetary resources. For many units, it is focused on short-term objectives, limited to a one-year planning cycle. Meanwhile, the ability to prepare and use the instruments of strategic management has a significant impact on the pace and direction of local and regional development.

Referring to the formal and legal conditions resulting from the fulfilment of the aforementioned fiscal rules, it should be noted that the highest absolute level of operating surplus characterizes, for obvious reasons, the largest cities and the most intensively developed municipalities surrounding these cities. In turn, the largest concentrations of municipalities having negative operating surplus occur in border provinces in the east (Lublin Province, Podlaskie), north (Warmian-Masurian, West Pomeranian) and west (Lubusz, parts of Lower Silesian).

Analyzing the debt ratio level, the risk to infringe its statutory boundaries is exhibited by a large portion of municipalities located in border provinces: in the west (Lower Silesian, Lubusz, West Pomeranian), north (the western part of Pomeranian, the whole Warmian-Masurian) and east (Podlaskie, a significant portion of Lublin Province). Large clusters of such municipalities are also found in provinces: Lesser Poland, Opole and Świętokrzyskie, and many of them are scattered in the remaining provinces.

To conclude this part of the analysis, it should be noted that, in the coming years, the unfavourable trends in local government finances may persist – mainly because much faster growth of obligations than of income is planned, another threat is also the growing inadequate funding of the tasks connected with education, low operating surplus and rising debt service costs. Attention should also be paid to the increasing current expenditure recorded in many local government budgets, resulting in the limited development potential.

Final remarks

Polish regions and provinces are characterized by large differences in the level of socio-economic development and infrastructural development. This translates into the size of investment needs and the ability to finance them. It is also relevant in the use of EU funds for the development of infrastructure, because the appropriately high own financial potential conditions their effective obtaining.

The sizes of investment needs in comparison with the possibilities of their financing by municipalities show the existence of a large financial gap. According to the European Union's regional policy, the basis for the support is the region's own economic potential, calculated as the level of GDP compared to the EU average. Regions with the lowest values of this indicator can receive high subsidies from EU funds. At the same time, a condition for obtaining them is to ensure own contribution to the financial assembly of investments. And this is conditioned by the income possibilities of local government units. In assessing the ability to finance investment projects

with the help of European Union funds in the new financial perspective, it should be noted that the size of investment needs of local governments of individual provinces is inversely proportional to the ability to finance these needs on the basis of their own budgetary potential. Thus, in the long term, in many regions it will be necessary to apply a support policy implemented within the framework of the redistribution function of public finances.

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**Local and Regional Governments as Beneficiaries
of EU Structural Support
in the Programming Periods 2004-2006, 2007-2013,
and the Future Prospects of Using it in 2014-2020
on the Example of Lubelskie Voivodship**

Abstract

The main aim of this elaboration is to present the degree of obtaining and using EU funds for investments implemented by rural communities. The analyzed period includes the years 2004-2013 and particularly concerns programming periods: 2004-2006, 2007-2013 and changes in the new financial perspective 2014-2020. Surveys were conducted in all rural communities of Lubelskie Voivodship (171 units). Realized projects co-financed from EU funds involved various operational programs. In this study the programs were divided into the perspective 2004-2006: the Integrated Regional Development Operational Program (IRDOP), the Sectoral Operational Program for Restructuring and Modernisation of the Food Sector and Rural Development (SOP), and period 2007-2013: the Rural Development Program (RDP), the Regional Operational Program of the Lublin Voivodship (ROP). The comparison of local governments' activity in using EU help was made for all finished programming periods. In this part an attempt was carried out to indicate changes in the new period 2014-2020. So far, local government units were major beneficiaries of EU funds and therefore it is important to analyze the past and the possibilities that appear at this moment.

Key words: European Union funds, investments, local governments, programming period

Introduction

An important area of the integration process with the European Union (EU) are financial instruments which aim to support our membership in the Community. Structural funds are for local government units the opportunity to carry out infrastructure projects and projects related to the development of local communities. On the other hand, it is a great challenge for the public sector as local government's activities are still poorly market-oriented. However, due to huge awareness and public support for reducing the long-term development gaps, governments are more likely to reach for external help. It also creates the conditions for long-term growth through an increase in economic activity. A decisive role in the selection of the types of investments is played by an opportunity to use EU funds by self-government units¹. Proper financial and investment planning in the units of local government allows the use of European funds and thus contributes to their own limited investment funding capabilities².

The aim of this study was to evaluate the scale of the use of EU funds by rural communities of Lubelskie Voivodship and to compare these figures with communities in other regions of our country.

Integration with the EU and particularly the opportunity to obtain financial resources is a big chance for the advancement of civilization and consequent reduction of disparities between the levels of development of disadvantaged areas. Financial transfers

¹ M. Grzebyk, *Działalność inwestycyjna miasta Rzeszów w latach 2004–2006*, [In:] Problemy ekonomii, polityki ekonomicznej i finansów publicznych, J. Sokołowski (ed.), Wrocław: Wydawnictwo Naukowe Uniwersytetu Ekonomicznego we Wrocławiu 2009, p. 66.

² W. Misterek, *Zewnętrzne źródła finansowania działalności inwestycyjnej jednostek samorządu terytorialnego*, Warszawa: Difin 2008, p. 120.

from the EU funds from the beginning of our membership to the end of 2014 amounted to more than 109.5 billion euro³. This shows that the scale of the aid granted to various Polish actors (businesses, local government units, entities of the social area, public administration, etc.) is huge. It is also a test of skills and absorption capacity, particularly in the area of the proper use of the available opportunities. Local government units have more or less actively used this form of help since the possibility of obtaining Community support appeared. In the pre-accession period local governments received financial help, the aim of which was to reduce economic disparities and to support the development of the candidate countries. The situation has changed since our accession to the EU structures, when it became possible to gain structural funds in the next three financial perspectives 2000-2006, 2007-2013 and 2014-2020 – the beginning new programming period. The Structural Funds support the restructuring and modernization of EU economies. Therefore, they are directed to those economic sectors and regions which without financial assistance are not able to achieve the average economic level of the EU.⁴ There is a large scale of inequalities and little possibility of overcoming them quickly, as a result of which the EU is seeking to accelerate the reduction of disproportions due to the threat of economic, social and political tensions.⁵

The Structural Funds and the Cohesion Fund facilitated the implementation of, among others, projects aiming at: the improvement of qualifications and economic activity of inhabitants, helping businesses in the creation of their concepts of development

³ www.mf.gov.pl/ministerstwo-finansow/dzialalnosc/unia-europejska/transfery-finansowe-Polska-UE, (access: 15.01.2015)

⁴ J. Czempas, *Środki unijne jako źródło finansowania działalności jednostek samorządu terytorialnego województwa śląskiego (2004–2007)*, [In:] *Finanse lokalne. Wybrane zagadnienia*, L. Patrzalek (ed.), Poznań: Wyższa Szkoła Bankowa w Poznaniu 2009, p. 12.

⁵ J. Borowiec, K. Wilk, *Integracja Europejska*, Wrocław: Wydawnictwo Akademii Ekonomicznej we Wrocławiu, p. 410.

and financing of innovative technologies and the creation of proper technical infrastructure that enhances the investment potential of individual regions⁶.

1. Material and research methods

The analysis was based on statistical data from the Local Data Bank of the Central Statistical Office (GUS BDL), the data collected in reports about the implementation of the local governments budgets – the Regional Audit Office in Lublin, data from the Voivodeship Marshall Office of Lublin, evaluation research reports, as well as data collected in diagnostic questionnaire surveys. The opinion surveys were conducted with village-mayors and people responsible for the projects co-financed from EU funds. The questionnaire was sent to all rural communities in Lubelskie Voivodship (171 units), while the reply was obtained from 81 communities (the return ratio was at the level of 47%). The choice of Lublin Voivodeship was purposeful because of the amount of resources allocated to the development of this region, accumulation of development barriers and a large disproportion in relation to other regions of European countries. The analyzed period includes the years 2004-2013. Substantive aspects and most of all the limited catalogue of potential beneficiaries determined the selection of actions in the various operational programs: the Integrated Regional Development Operational Program (IRDOP), the Sectoral Operational Program for Restructuring and Modernisation of the Food Sector and Rural Development (SOP), the Rural Development Program (RDP), the Regional Operational Program of the Lublin Province (ROP).

Such activities were selected which enabled the support for local development and thus involved rural communities.

⁶ P. Filip, *Audyty wewnętrzne jako narzędzie wspomagające procesy zarządzania w jednostkach sektora finansów publicznych*, [In:] *Sprawozdawczość i rewizja finansowa w procesie poprawy bezpieczeństwa obrotu gospodarczego*, Kraków: Wydawnictwo Akademii Ekonomicznej w Krakowie 2005, p. 141.

2. Local government as an active subject of the European Union's regional policy

Local self-government has a dominant role in the local economy by undertaking active planning and implementation activities in order to create the best living environment for its residents. Modern communities must take active operations, i.e. focus on the optimal use of all potential resources to make changes in quantitative and qualitative terms. Currently, a community has to effectively solve many important problems, and cannot be passive focusing only on the removal of barriers and development disparities. According to M. Ziółkowski and M. Goleń⁷, in this new situation local government needs to adopt new management methods which are adequate to the changing conditions and to reject those old ones that in the new reality do not ensure success. It is, therefore, necessary to underline the role of the activity of administration, aiming at broadly understood management obliging it to use organization methods and instruments. An element affecting the level of activity is the fact that administration is subjected to social assessment and needs social acceptance. An important aspect is the growing competition among local governments.

Public administration also faces new tasks of the creation of new forms of social activity and an entrepreneurial attitude of public authority⁸. The new entrepreneurship, whose shareholder is the public sector (including communities) at the beginning of the new century means not only the creation of the communal

⁷ M. Ziółkowski, M. Goleń, *Zarządzanie strategiczne rozwojem lokalnym*, [In:] *Zarządzanie gospodarką i finansami gminy*, H. Sochacka-Krysiak (ed.), Warszawa: Wydawnictwo SGH 2006, pp. 70-71.

⁸ A. Potoczek, I. Pyrzyk, *Administracja i zarządzanie. Perspektywa społeczna i organizacyjna*, Włocławek: Wydawnictwo Wyższej Szkoły Humanistyczno-Ekonomicznej we Włocławku 2011, p. 82.

services market, but also changes in governance and management of communal organizations⁹.

In Poland and other EU countries, public administration has to face similar challenges, which undoubtedly are: to develop the knowledge and skills to analyze needs, undertaking new (innovative) activities and allowing wider participation of other actors in the decision making process. All these activities contribute to the creation and strengthening of an optimal model of public administration able to complete difficult tasks. The passive attitude towards the problems of stimulating development processes in the future, as well as the current approach (from budget to budget) become outdated. Local government units are increasingly involved in the conscious forming of conditions for the local and regional area development. They use the whole range of instruments and methods for the stimulation of entrepreneurship¹⁰, manifesting itself through the absorption of EU funds. All actors involved in the process of absorption EU funds in this area should cooperate, and their activities must be complementary to each other. EU funds will give results in those areas where there are competent, entrepreneurial and active citizens and where local government authority is characterised by innovativeness and the ability to cooperate¹¹. The activity and professionalism of local authorities, defined as the quality of management, constitutes an important factor conditioning the growth of the investment level.

⁹ P. Barczyk, *Przedsiębiorczy samorząd lokalny i jego instytucje*, Katowice: Wydawnictwo Akademii Ekonomicznej w Katowicach 2010, p. 174.

¹⁰ A. Kożuch, *Rola samorządu terytorialnego we wspieraniu rozwoju lokalnego*, [In:] Instrumenty zarządzania rozwojem w przedsiębiorczych gminach, A. Kożuch, A. Noworól (eds.), Monografie i Studia Instytutu Spraw Publicznych Uniwersytetu Jagiellońskiego, Kraków: Wydawnictwo Uniwersytetu Jagiellońskiego w Krakowie 2011, p. 9.

¹¹ D. Stokowska, *Wykorzystanie funduszy unijnych w kontekście rozwoju regionalnego na przykładzie województwa mazowieckiego*, [In:] Pozyskiwanie i wykorzystywanie funduszy unijnych w regionie mazowieckim, A. Z. Nowak, M. Szałański (eds.), Warszawa: Wydawnictwo Uniwersytetu Warszawskiego 2008, p. 49.

EU Cohesion Policy and the financial resources allocated for its implementation significantly improve the chance of accelerating the development of Polish regions in comparison to other developed regions of the EU. This policy promotes the economic development of underdeveloped regions by the direct, indirect and synergistic impact. The main task of Cohesion Policy is to create impulses for development and to support the first phase of the innovation economy of underdeveloped regions. It is worth underlining that Cohesion Policy is not able by itself to ensure immediate effects because its function is only to initiate activities supporting development, and entities operating in the regions should be responsible for the continuation of these actions. Large expenditures on the implementation of regional policy in the EU did not cause the disappearance of the gap between rich and poor regions. This fact influenced the need for its evaluation over many years. At this moment it differs significantly from the original assumptions. Its concepts, tasks, instruments and objectives were changed, and the reasons were e.g.: changes connected with the extension by other countries, deepening of the integration process.¹² The current shape of policy is heading more towards supporting the competitiveness and capacity of regions for self-development¹³. Many of the actions undertaken in the area of regional development allowed only to stop the negative trends but they were not able to effectively reverse them.¹⁴

Cohesion Policy in Poland was carried out in the conditions of high divergence between the levels of development in the regional

¹² K. Gawlikowska-Hueckel, *Procesy rozwoju regionalnego w Unii Europejskiej. Konwergencja czy polaryzacja?*, Gdańsk: Wydawnictwo Uniwersytetu Gdańskiego 2003, pp. 33-35.

¹³ D. Murzyn, *Polityka Spójności Unii Europejskiej a proces zmniejszania dysproporcji w rozwoju gospodarczym Polski*, Warszawa: Wydawnictwo C. H. Beck 2010, p. 50.

¹⁴ J. Hausner, T. Kudłacz, J. Szlachta, *Instytucjonalne warunki restrukturyzacji regionalnej Polski*, „Studia” KPZK PAN, vol. CIII, Warszawa: Wydawnictwo Naukowe PWN 1995, p. 116.

structure, which influenced, on the one hand, its effectiveness, and on the other hand, the way of its implementation¹⁵.

The summary of the resources which during the perspectives came into the Polish budget is presented in Figure 1.

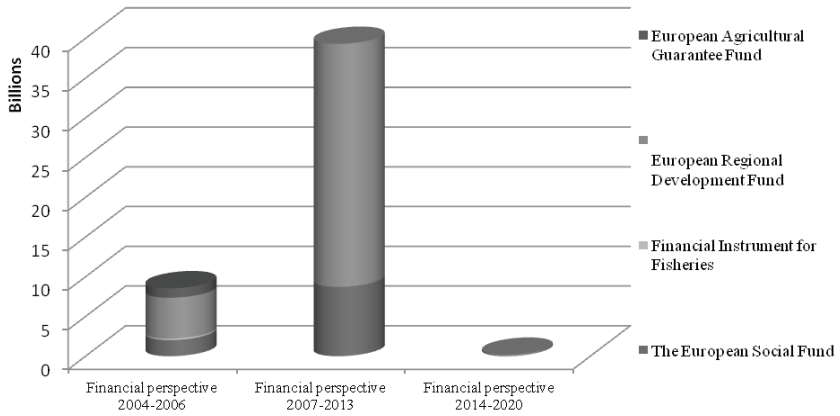


Figure 1. Summary of financial transfers from the budget EU to Poland (in EUR) in the following programming periods (31.12.2013)

Source: Own study based on data from the Ministry of Finance.

The data presented in the above figure confirm that in the first programming period funds were much lesser (8.6 billion euro), but they allowed to gain valuable experience in their gaining and using. In the next programming period the aid from the structural funds amounted to over 39 billion euro. At the end of 2013 financial transfers under the new perspective 2014-2020 were only 186.5 million because of the fact that this is only the beginning of its application.

In the entire period 2014-2020 it will be 77.6 billion euro from cohesion policy. It is the largest national allocation of EU money

¹⁵ J. Kudelko, A. Prusek, K. Zieliński, *Europejska polityka spójności oraz jej efekty w Polsce*, Kraków: Wydawnictwo Uniwersytetu Ekonomicznego w Krakowie 2011, p. 15.

out of the 28 member states. The money will be allocated, among others, to: scientific research, construction of roads, railways, public transport, development of entrepreneurship and the broadband Internet, infrastructure and the professional activation of the unemployed. In addition, Poland will receive over 8.6 billion euro for the development of rural areas.

In the programming period 2004-2006 local government units constituted the largest percentage in the structure of the beneficiaries of programs financed with structural funds (48%¹⁶). The situation was similar to the years 2007-2013 (until 31.01.2012 governments constituted 43.9%¹⁷ of the beneficiaries). According to the National Cohesion Strategy (NSS)¹⁸, local government units allocated 92% of the total value of projects financed by the EU to investments in basic infrastructure and more over 60% of the projects value were environmental investments co-financed by the Cohesion Fund (CF), 6% constituted investments in human resources, while 2% were allocated for manufacturing sector investments.

As part of the consideration of various programming periods, the detailed analysis covered all competition procedures adopted in Integrated Regional Development Operational Program (editions 2004, 2005, 2006), as well as the Sectoral Operational Program for Restructuring and Modernisation of the Food Sector and Rural Development (editions 2005, 2006), Rural Development Program (editions 2008, 2009, 2010), Regional Operational Program of Lublin Voivodship (editions 2009, 2010). The further analysis included in total 2321 applications filed by all rural communities of Lubelskie Voivodship.

¹⁶ B. Słomińska, *Rozwój gmin a wsparcie unijnych funduszy pomocowych*, „Wspólnoty Europejskie”, 2(2007), p. 25.

¹⁷ Debata ekspertów „Fundusze europejskie – realistyczne spojrzenie na przyszłość”, [In:] „Samorządność i Suwerenność. Biuletyn Fundacji Akademii Samorządności”, 2(2012), p. 7.

¹⁸ *Narodowe Strategiczne Ramy Odniesienia 2007-2013 wspierające wzrost gospodarczy i zatrudnienie. Narodowa Strategia Spójności*, Warszawa: Ministerstwo Rozwoju Regionalnego 2007, p. 15.

3. Support for local government units in the financial perspective 2004-2006

In July 1997 the European Commission presented the “Agenda 2000”¹⁹, a document describing the overall prospects for the development of the EU and its policies, the horizontal issues related to the extension and the outline of the future budget for 2000-2006.

At the beginning of the 2000-2006 perspective it was possible to notice dominant views that the centre of gravity of the European integration process is based on two pillars: the Community institutions and strong regions²⁰. In 2000-2006 within Cohesion Policy 213 billion euro was allocated to the EU-15 and 21.7 billion euro to 10 new Member States, which constituted approximately one third of the EU budget.

Accession to the EU during the 2000-2006 programming period enabled Poland to obtain funds from a variety of aid instruments. Within that period there were four Structural Funds: the European Regional Development Fund, the European Social Fund, the European Agricultural Guarantee Fund, the Financial Instrument for Fisheries Guidance²¹. After Polish accession to the EU the Community Support Framework (CSF) was prepared. It set the strategy, direction and amount of financial support from the structural funds for the implementation of development plans. Assumptions contained in the CSF were implemented using the Operational Programmes (OPs). Their scope of impact resulted directly from the objectives and strategies included in the NDP (National Development Plan) and the NSRF (National Strategic Reference Framework). Approval of

¹⁹ *Agenda 2000. The European Union expanded and stronger*, European Commission Communication COM (97) 2000 July 16, 1997.

²⁰ K. Kik, *Wizja zjednoczenia Europy w polityce głównych ugrupowań politycznych Europy*, [In:] *Wizje i perspektywy Unii Europejskiej a Polska polityka integracyjna*, J. Fiszer (ed.), Warszawa: Wydawnictwo Wyższej Szkoły Handlu i Prawa im. Ryszarda Łazarskiego w Warszawie 2003, pp. 98-99.

²¹ www.fundusze-strukturalne.gov.pl, (access: 10.11.2014)

the operational programs and their supplementing by the European Commission started the implementation phase of projects²². The development of the competitive economy based on knowledge and entrepreneurship, capable of long-term, sustained and balanced growth, ensuring employment growth and improvement of social, economic and spatial coherence were strategic goals of the NDP. The NDP provided several funding sources that are presented in Table 1.

Table 1. Funding the National Development Plan in 2004-2006

Source of financing	Amount (billion euro)	% Share in the financing of the NDP
EU funds, including:	12,8	75%
Structural Funds	8,6	67%
The implementation of operational programs	8,3	97%
Cohesion Fund	4,2	33%
National public funds	4,5	25%

Source: Community Support Framework. Promotion of economic development and an environment conducive to the growth of employment, adopted by the Council of Ministers on 23 December 2003 and approved by the European Commission on 23 June 2004.

In 2004-2006 Poland received 8.6 billion euro under the Structural Funds and 4.2 under Cohesion Fund, the national public funds amounted 4.5 billion euro. The share of own funds, depending on the type of activity and the project itself, fluctuated between 25 and 75% of the cost. During this period, the indicative financing plan determined the total cost of the priorities selected for the common

²² J. Skorulska, *Fundusze strukturalne jako źródło finansowania polityki strukturalnej Unii Europejskiej*, [In:] *Fundusze strukturalne w polityce regionalnej*, P. Naruszewicz (ed.), Białystok: Wydawnictwo Politechniki Białostockiej 2005, p. 99.

EU and Polish action in the amount of 12.8 billion²³. Together with the national contribution more than 17 billion euro was involved in the implementation of the National Development Plan (NDP). Poland was therefore the biggest beneficiary of Cohesion Policy among the new Member States.

In the first programming period the Structural Funds management system was centralized, and most of the operational programs were administered on a sectoral basis. They covered the whole country and supported development in various areas of social and economic life. This caused significant difficulties in raising funds. In Poland the division between the activities covered by the NDP was introduced with five Sectoral Operational Program (SOP) and the Integrated Regional Development Operational Program (IRDOP). The IRDOP program according to the Regulation 1260/1999²⁴ was financed from two funds: the European Regional Development Fund and the European Social Fund. It was managed at the national level, but implemented in the decentralized level of voivodships. The adopted system of its implementation had a regional dimension because competences in the project selection and choice were transferred to the regional level.

The limitation of regions' role in the programming process raised many objections, because the program was designed to support the development and competitiveness of Polish regions, but it did not take into account their specific internal and external conditions²⁵. It was a program implementing European regional policy and concentrated almost 40% of the allocation for all operational programs²⁶.

²³ *Community Support Framework*. A document prepared in cooperation with the European Commission and approved by the High Commissioners Commission on December 10, 2003. Adopted by the Council of Ministers on 23 December 2003.

²⁴ Council Regulation (EC) No 1260/1999 of 21 June 1999 established general rules in the Structural Funds.

²⁵ M. Kozak, *System zarządzania europejską polityką regionalną w Polsce w pierwszym okresie po akcesji*, „Studia Regionalne i Lokalne” 2(2006), p. 81.

²⁶ *Zintegrowany Program Operacyjny Rozwoju Regionalnego na lata 2004–2006*, Rozporządzenie Ministra Gospodarki i Pracy z 1 lipca 2004 roku, Dz.U. 2004,

The differentiating element was the regional allocation granted to each of the voivodships on the basis of an algorithm that took into account the population, the level of development and the level of unemployment²⁷.

In the first period of allocation of EU structural funds, the IRDOP was the most important program for communal self-governments. Through this program they were able to obtain support for projects on the local and regional level. Its main aim was to create conditions for increasing the competitiveness of regions and preventing marginalization of some areas. It was possible because of long-term support for the economic development of the country and its economic, social and territorial cohesion. The IRDOP was a program realized in the system of priorities and individual actions (3 priorities and 16 actions)²⁸ with very similar proportions of financing.

Particular priorities assumed the following main objectives:

- Priority 1.: Development and modernization of infrastructure to enhance the competitiveness of regions. The aim was to increase the attractiveness of regions mainly through investments in infrastructure;
- Priority 2.: Strengthening the human resources development in the regions through the creation of appropriate conditions at the local and regional level, to improve the ability for the programming and realization of projects in this field;
- Priority 3.: Local development.

Nr 166, poz. 1745.

²⁷ The allocation of IRDOP funds in voivodships was based on an algorithm that takes into account three components: population (weight 80%), GDP / cap (weight 10%) and unemployment (10% weight). In connection with the so-accepted method of distribution the largest stream of funds was directed to the most populous voivodships, while the highest value of 1 per inhabitant was recorded the poorest voivodship.

²⁸ *ZPORR-e zmiany w regionach*, Warszawa: Departament Wdrażania Programów Rozwoju Regionalnego Ministerstwa Rozwoju Regionalnego 2008, pp. 3-4.

Resources from the structural funds for individual priorities of the IRDOP were distributed into the Priority 1, Priority 2, Priority 3 (respectively 59.4%, 14.8%, 24.5% of the total funds).

As part of the implementation of the Program totally 1069 contracts were signed. It gave Lublin Voivodship the 4th position in Poland. This situation resulted mainly from the good implementation of the program and favourable fluctuations of the euro exchange rate. The total value of the contracts was 1.3 billion PLN, and the average value of the project carried out in the region amounted to about 1.24 million PLN. It placed the region at the 12th position in country. The size of co-financing from the IRDOP per capita (370 PLN) locates the Lublin region at the 3rd position, while the total value of projects per capita (587 PLN) gave the voivodship the 7th place. Financial resources allocated in the IRDOP for Lublin Voivodship compared to the value of investment in this region amounted to only 6% of the total investment in the national economy²⁹. Among all 171 communities of Lublin Voivodship, 151 communities (88.3% of the total) applied for the support under the IRDOP, the remaining 20 communities did not submit any application form (11.7% of the total). Under the IRDOP in total communities submitted 654 applications (on average it gives 3.8 application per a community). Only 138 submitted applications received support (21.1% of the total), and 516 were rejected. Among the applications not qualified for financing, about 176 (27% of the total) were rejected at the stage of the formal assessment, among them 7 applications were withdrawn by the beneficiary. 478 applications moved to the substantive evaluation phase. Among the applications qualified for this stage, 134 received less than 60% of points (28% of the total), and 344 (52.6% of the total) applications received more than 60% of the points possible to obtain. As a result these applications could be included on the list of the ones selected for funding (projects

²⁹ Payments from IRDOP 2004-2006 in the Lublin Voivodship amounted to 817.2 million PLN (May 31, 2009.), and the cumulative value of the investment in the national economy (by the CSO) in the Lublin Voivodship in 2004-2006 amounted to 13.3 million PLN.

with the highest score), or on the reserve list (other projects). The total value of support from the IRDOP obtained by communities amounted to 93.5 million PLN. The average value of financing per one project amounted to 677.9 thousand PLN.

Other programs which enjoyed wide interest among communities were the Sectoral Operational Program Restructuring and Modernisation of the Food Sector and Rural Development (SOP). The amount of 1.8 billion euro was allocated to the implementation of SOP in 2004-2006, out of which EU funds amounted to 1.2 billion euro and national funds amounted to 5.9 million euro. The indicative allocation of funds for regions within “regional activities” was made on the basis of indicators set by the Steering Committee of SOP. Regional governments were implementing institutions for all three activities: Priority 2: Action 2.2. – Merge the land; Action 2.3. – Rural renewal, preservation and enhancement of cultural heritage; Action 2.5. – Agricultural water resources management. Those actions were called “regional activities”. Under the SOP rural communities prepared a total of 247 applications, out of which 58 applications were rejected on the formal stage of assessment (including 1 withdrawn by the beneficiary). 189 applications passed to the substantive phase of evaluation, of which 141 were contracted. In the case of SOP rural communities requested for funding at the total level of 53.3 million PLN, and the total value of the projects was 74.6 million PLN. The amount of funding obtained under SOP by communities of Lublin Voivodship was 31 million PLN, and the average value of a project was 129.4 thousand PLN.

The studied rural communities allocated EU funds obtained in the period 2004-2006 for investments in various areas (Figure 2).

In the analyzed period, communities most frequently realised investments in the areas of rural renovation (62 projects), while the smallest number of projects was implemented in order to improve the remaining environmental infrastructure (2 projects). Figure 3 presents the analysis of the support areas used by the rural communities by the value of the projects.

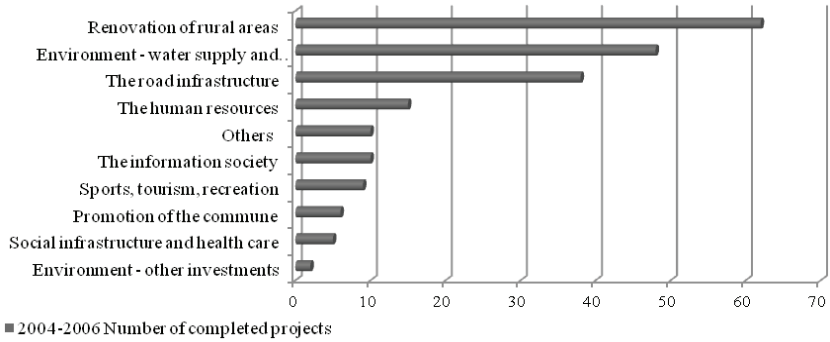


Figure 2. Areas of investments co-financed from EU funds carried out by rural communities of Lubelskie Voivodship in 2004-2006.

Source: Own study.

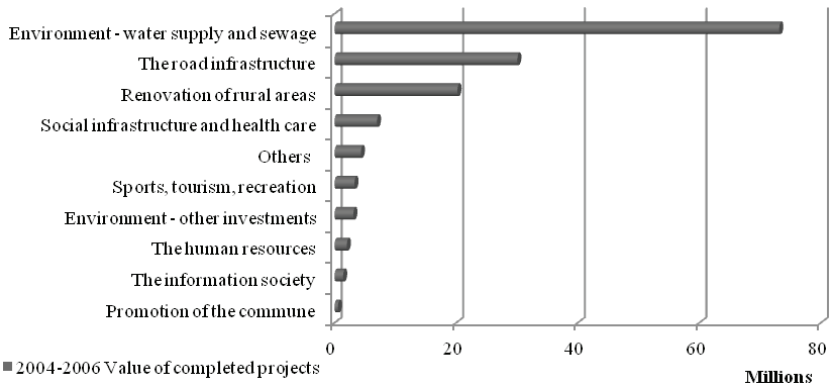


Figure 3. Areas of investments co-financed from EU funds carried out by rural communities of Lubelskie Voivodship in 2004-2006 according to their values

Source: Own study.

Communities received the largest funds and used them for investments in environmental protection, specially for the construction of water supply and sewerage systems (over 73 million

PLN). The least value was given to projects related to the promotion of the community (0.5 million PLN). After the first programming period, the negative feedback from beneficiaries and the results of the Supreme Audit Office's control confirmed serious delays in the selection process. Due to the large number of institutions involved in the recruitment and evaluation of applications and their failure³⁰ all these aspects led to the introduction of the so-called recovery program aimed at taking actions increasing the level of aid that can be used.

After 2006 permanent changes in the programming system of regional policy were observed in Poland. The position of regional governments and their policies for regional development were reinforced. The rules of conducting development policy were defined by the Act about the principles of conducting development policy of 6 December 2006³¹. The provisions contained there introduced a flexible system of functioning of regional and Cohesion Policy in Poland and the compatibility of the system with the principles of regional policy of the EU. In Poland, the majority of efforts are still focused on the main objective of regional policy connected with achieving greater economic and social cohesion. The achievement of this objective was associated with both the equalization of the development level of Polish regions with other regions in the EU, as well as the elimination of deepening inter-regional disparities inside the country. It became obvious that the system of implementation of EU funds in the next 2004-2006 programming term demanded fundamental changes.

³⁰ Najwyższa Izba Kontroli. *Informacja o wynikach kontroli wykorzystania funduszy strukturalnych w ramach Zintegrowanego Programu Operacyjnego Rozwoju Regionalnego*, Warszawa: Ministerstwo Rozwoju Regionalnego 2006, p. 8.

³¹ The Act of 6 December 2006 about principles of development policy, Journal of Laws no. 227, item. 1658. Comments by the European Commission amended provisions of the Act and the introduced the Act of 29 June 2009 amending the Law on the Principles of Development Policy and the Public Finance Act, Journal of Laws no. 140, item. 984.

4. Support for local government units in the financial perspective 2007-2013

Third Report on Economic and Social Cohesion published in 2004 defined the direction of reform of Cohesion Policy for 2007-2013. The result was to keep the Cohesion Policy budget at 35% (1/3)³² of the EU budget and to base Cohesion Policy on three-centered goals. The sources of financing were: European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Investment Bank and other Community instruments.

The implementation of three objectives of Cohesion Policy in period 2007-2013 cost about 342 billion euro. Objective 1 “Convergence” was aimed at supporting the poorest regions and eliminating disparities between the levels of development (81.5% of funds, approximately 283 billion euro). Objective 2 “Regional Competitiveness and Employment” supported regions not qualified for assistance as part of Objective 1 (16% of funds, approximately 55 billion euro). Objective 3 “European territorial cooperation” was based on strengthening cross-border, transnational and interregional cooperation (2.5% of the funds, about 4 billion euro)³³.

The National Strategic Reference Framework (NSRF), elaborated in Poland, was a document presenting the strategy of socio-economic development of our country, Cohesion Policy objectives, and also defining a system of implementing EU funds as part of the Community budget. The main objective of the Polish NSRF was to create conditions for increasing the competitiveness of economy based on knowledge and entrepreneurship, ensuring employment growth and increase in coherence with other EU countries. In order to realize this objective, following programs were introduced:

³² *Polityka spójności 2007-2013. Komentarze i teksty oficjalne*, Luksemburg: Wspólnoty Europejskie 2007, p. 7.

³³ E. Kornberger-Sokołowska, J. Zdanukiewicz, R. Cieślak, *Jednostki samorządu terytorialnego jako beneficjenci środków europejskich*, Warszawa: Wydawnictwo Wolters Kluwer Polska 2010, pp. 84-85.

Operational Programs managed by the Ministry of Regional Development and the Regional Operational Programs (ROP) managed by local governments of individual voivodships. Regional governments were able to divide the allocated funds into key and other projects which had been selected through competitions. The allocation of funds as part of operational programs is presented in Table 2.

Table 2. Operational programs and their share in the total allocation of Cohesion Policy for Poland by the source of financing in 2007-2013

Operational Program	The share of the program in the total allocation of resources		Source of financing
	(billion of euro)	(%)	
Infrastructure and Environment	27,9	41,3	ERDF and the Cohesion Fund
Regional Operational Programmes	16,55	23,8	EFRR
Human Capital	9,7	14,4	EFS
Innovative Economy	8,3	12,3	EFRR
Development of Eastern Poland	2,3	3,4	EFRR
Technical Assistance	0,5	0,8	EFRR

Source: National Strategic Reference Framework 2007-2013 supporting economic growth and employment, Approved by the European Commission, MRD, Warsaw in May 2007. p. 122.

The allocation of funds from the state budget for co-financing of programs and projects with the participation of the EU Structural Funds and Cohesion Fund is presented in Figure 4.

The data presented in the above figure indicate that Lubelskie Voivodship in the period from 2010 to 2013 obtained a large pool of funds (more than 975 million PLN) from the state budget for co-financing of EU aid. Only Mazowieckie Voivodship received more funds.

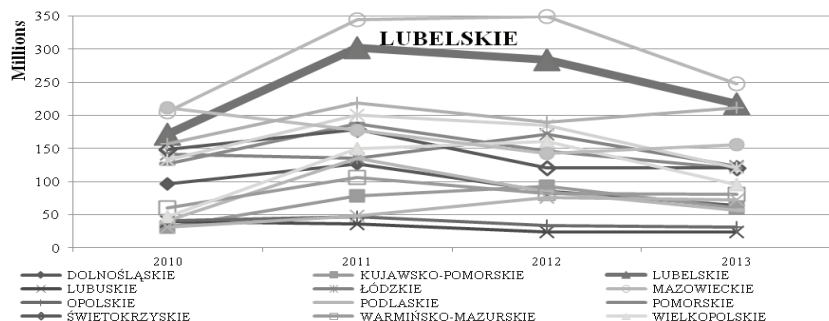


Figure 4. Payments from the European funds budget transferred to the co-financing of programs and projects with the participation of the EU Structural Funds and Cohesion Fund in the provinces for the period 2010-2013

Source: Own study.

An important moment was the construction of 16 Regional Operational Programs (ROP). In January 2005 the Council of Ministers adopted a preliminary project of the National Development Plan 2007-2013³⁴. The solution was finally accepted by the European Commission and local governments independently compiled the shape of priority axes and allocation of funds dedicated for specific activities³⁵. Regional governments negotiated the final version of the ROP with the European Commission, and their management boards adopted this document by resolution³⁶. In 2008 the Ministry of Regional Development started work aimed at resolving the country's development management system in order to increase the

³⁴ E. Kornberger-Sokołowska, J. Zdanukiewicz, R. Cieślak, *Jednostki samorządu terytorialnego jako beneficjenci środków europejskich*, Warszawa: Wydawnictwo Wolters Kluwer Polska 2010, pp.84-85.

³⁵ T. G. Grosse, *Analiza możliwości wprowadzania regionalnego systemu zarządzania funduszami strukturalnymi UE w Polsce w latach 2007-2013*, Warszawa: Wydawnictwo Instytut Spraw Publicznych 2005, p. 23.

³⁶ J. Szlachta, J. Woźniak, *Rozwój regionalny Polski w warunkach reformy europejskiej polityki spójności w latach 2007-2013*, Biuletyn KPZK PAN, vol. 231, Warszawa 2007, p. 24.

effectiveness of programming and implementation of public policies and improve the quality of functioning of state institutions. Several important documents were created – the Management System of Polish Development, the Act of 7 November 2008 amending certain acts in relation to the implementation of the Structural Funds and the Cohesion Fund.³⁷

When creating the ROP, each voivodship had to take into account the current socio-economic diagnosis and adapt the ROP to the region's development strategy. Activities aimed at supporting development in 2007-2013 from EU funds went to voivodships as part of three operational programmes: the ROP, the regional component of the Human Capital Operational Program and the Operational Program Development of the Eastern Poland. Allocation of funds as part of the Regional Operational Program is presented in Table 3.

Table 3. The level of allocation as part of the Regional Operational Program 2007-2013

Ordinal number	Voivodship	Level of allocations (billion euro)	Ordinal number	Voivodship	Level of allocations (billion euro)
1	Mazowieckie	1,832	9	Łódzkie	1,001
2	Śląskie	1,713	10	Kujawsko-Pomorskie	0,951
3	Małopolskie	1,290	11	Pomorskie	0,885
4	Wielkopolskie	1,273	12	Zachodnio-Pomorskie	0,835
5	Dolnośląskie	1,213	13	Świętokrzyskie	0,726
6	Lubelskie	1,156	14	Podlaskie	0,636
7	Podkarpackie	1,136	15	Lubuskie	0,439
8	Warmińsko-Mazurskie	1,037	16	Opolskie	0,427

³⁷ Act of 7 November 2008 amending certain acts in relation to the implementation of the Structural Funds and the Cohesion Fund Journal. Act No. 216, item. 1370.

Source: Own study based on data from the National Strategic Reference Framework 2007-2013. Document approved by a decision of the European Commission, MRD, Warsaw in May 2007. p. 122.

The amount of funds that rural communities received from the EU to finance programs and projects per 1 inhabitant is presented in Figure 5.

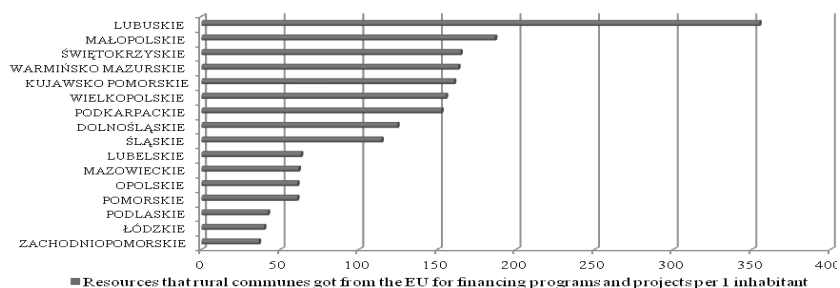


Figure 5. The funds from the EU for financing programs and projects per 1 inhabitant of rural communities of particular voivodships.

Source: Own study based on the CSO BDL data.

The amounts of funds coming from the EU funds included in the budgets of rural communities per 1 inhabitant were varied. Rural communities of Lubuskie Voivodship reached the highest value. Rural communities of Lubelskie Voivodship were at 10th place with the amount of 63,3 PLN.

The situation of Lubelskie Voivodship is the subject of further analysis in which the Regional Operational Program of Lublin Voivodship (ROP LV) is considered. The structure of the beneficiaries of this program is presented in Figure 6.

The obtained data indicate that in the period 2007-2013 the main beneficiaries of funds as part of the ROP LV were local government units – more than half of the final beneficiaries. There were certainly many more of those who were eager to use EU help, but the competition procedure eliminated the weakest projects in terms of substance and form. These figures also confirm that local government

units had the highest potential for structural assistance, they demonstrated the incredible activity to gain the support.

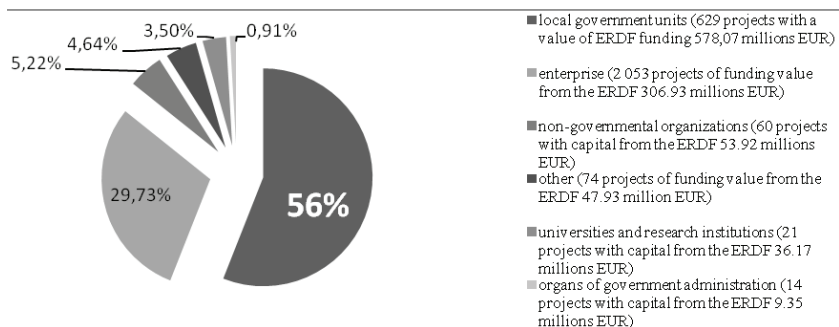


Figure 6. Distribution of projects implemented as part of the Regional Operational Program of Lublin Voivodship in the years 2007-2013 by legal status of beneficiaries (data refers to the period 2007 – XII. 2013)

Source: Own study based on the Annual Report on the implementation of the ROP for 2007-2013, the Voivodship Board of Lublin, p. 56.

By the end of 2010 within the ROP LV, totally 70 competitions were announced, in the framework of which over 3 billion PLN was allocated (69.6% of the allocation of the ROP LV). The beneficiaries submitted 4903 applications for funding and the Voivodship Board approved the implementation of the 1688 applications for the amount of 3.2 billion PLN, agreements were signed for the financing of 1567 project (59.8% of the allocation of the ROP LV). In all competition procedures during the period 2007 – 2010, rural communities submitted a total of 612 applications (12.5% of all applications submitted under the ROP LV)³⁸. A similar percentage refers to the proportion of grant agreements signed by communities in all contracts under the ROP LV (12.4%). In the case of the ROP LV the total value of the projects was 2.6 billion PLN, while the total requested

³⁸ Annual Report on the implementation of the *Regional Operational Programme of Lublin for 2007-2013* in 2010. Managing Authority ROP 2007-2013 – Voivodship Board of Lublin, Lublin 2010, pp. 7-8.

amount of funding was 1.9 billion PLN. In total, rural communities received funding worth 551.7 million PLN.

The next considered program in the perspective 2007-2013 is the Rural Development Program (RDP) which allowed the modernization of the infrastructure in Polish countryside. It also enabled reducing the gap in standards of civilization between rural and urban areas (including improving access to telecommunications and the Internet, financing of educational and cultural projects). Rural communities in Lubelskie Voivodship under the RDP submitted 903 applications for funding, the grants were awarded to 728 projects. In the case of the axis of this program, four communities mainly gained the grants to support public infrastructure in the form of construction, reconstruction and repairs of buildings for recreational, sporting, social and cultural purposes (191 approved applications for funding). The total value of projects for funding was 933 million PLN, the requested amount was equal to 469.8 million PLN. Rural communities of Lubelskie Voivodship under this program gained grants with a value of 349.6 million PLN.

The areas of investments financed with the funds in period 2007-2010 and implemented by rural communities of Lubelskie Voivodship were analyzed by the number of completed projects (Figure 7).

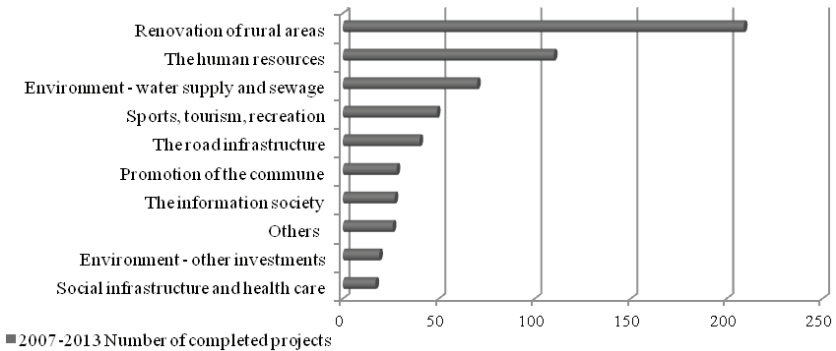


Figure 7. Areas of investments co-financed from EU funds carried out by rural communities of Lubelskie Voivodship in the period 2007-2013 (as of 31.12.2010)

Source: Own study.

The obtained data show that communities carried out mainly projects in the area of health and rural development (209), the least number refers to the projects in social infrastructure and health care (17). An increase in the number of projects in the area of human resources was a very important change in comparison to the previous period 2004-2006.

Another important aspect was the value of the investments made by communities in different areas with the use of financial support in the period 2007-2010 (Figure 8).

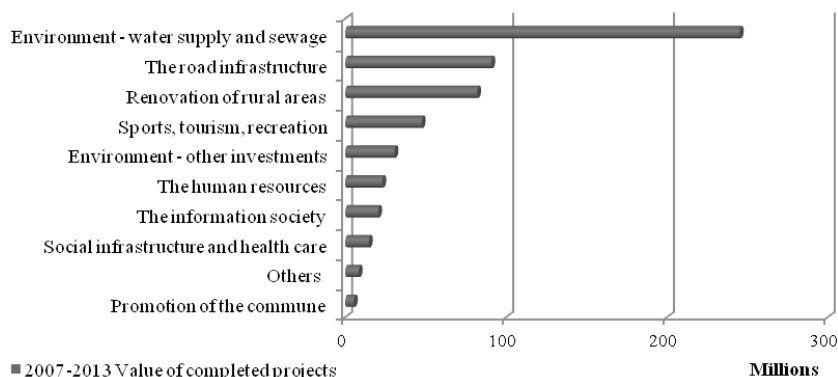


Figure 8. Areas of investments co-financed from EU funds carried out by rural communities of Lubelskie Voivodship in the 2007-2013 period according to their value of (as of 31.12.2010)

Source: Own study.

The data show that rural communities gained and used the majority of EU funds for activities in the field of environmental protection – sewerage, water supply system (245 million PLN) and road infrastructure (nearly 91 million PLN). Communities used the smallest pool of money for activities connected with the community promotion (5 million PLN). This indicates that there is still need for further investments in improving the situation in the area of technical infrastructure and eliminating its shortages.

5. Rural communities as beneficiaries of support from the EU funds – a comparison of perspectives 2004-2006 and 2007-2013

Studies concerning the activity of rural communities in Lubelskie Voivodship confirmed the previously mentioned regularity that local governments are a significant group of beneficiaries of EU funds. Among the rural communities that were asked the question whether the help from the EU funds was used, the affirmative answer was given by 97.5% of the units. In the pre-accession period and later financial perspectives rural communities reached for the support to various degrees (Figure 9).

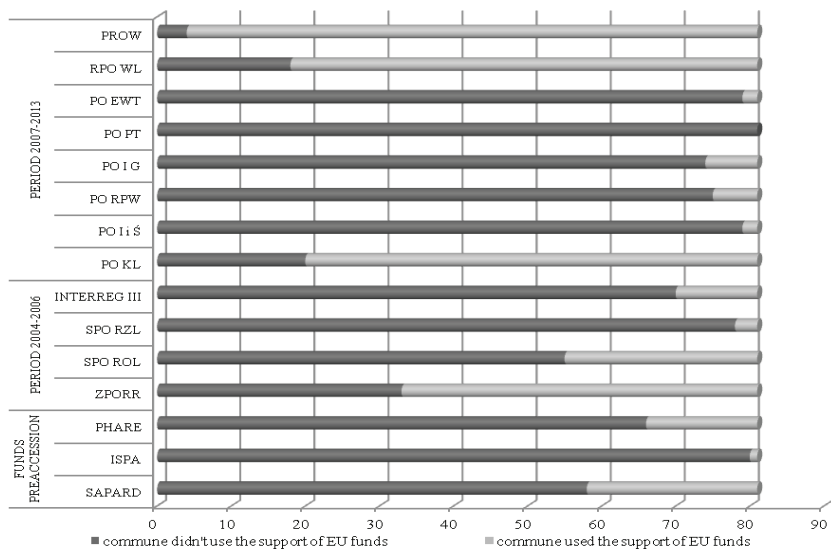


Figure 9. The activity of rural EU communities of Lubelskie Voivodship in using pre-accession programs, programs within the perspectives 2004-2006 and 2007-2013 (as of 31.12.2010)

Source: Own study.

Among the pre-accession programs, the greatest interest of the surveyed communities was directed to the SAPARD program – 28%

units benefited from the aid. In the period 2004-2006 communities most often gained the support from the program ZPORR (IRDOP) and SPO ROL (SOP) (respectively 68% and 32% of communities), in the period 2007-2013 mainly these were the programs: PROW (RDP), RPO WL (ROP) and PO KL (OP HC).

Another area of the comparative analysis of two programming periods was the number of applications submitted in particular programs (Figure 10).

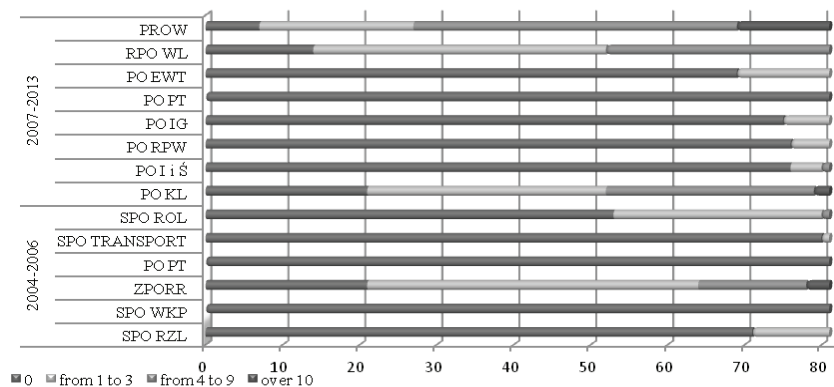


Figure 10. Number of applications submitted by rural communities of Lubelskie Voivodship in the programs of the programming periods 2004-2006 and 2007-2013

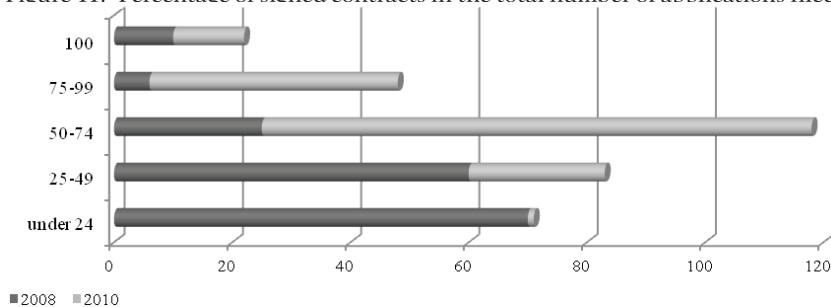
Source: Own study.

Analyzing the number of applications submitted by communities in various programs, it should be emphasized that in the financial perspective 2004-2006 the majority of applications were submitted within the IRDOP program. 3% of respondents submitted more than 10 applications in this program. In the period 2007-2013 communities most often submitted applications for programs: the ROP (67 applications) and the RDP (74 applications).

Two important points in time, that is the years 2008 and 2010, were adopted for further considerations because they are fragments showing a certain state of lasting application processes. Comparing

two programming periods 2004-2006 and 2007-2013 the share of signed contracts in the total number of applications was an important indicator of changes taking place in absorption activity of communities (Figure 11).

Figure 11. Percentage of signed contracts in the total number of applications filed



by rural communities of Lubelskie Voivodship

Source: Own study.

The data for 2008 indicate that only a quarter of the submitted applications ended with signing of the grant agreement. The improvement of this ratio occurred in the next programming period. In 2010 (the middle of the programming period), most of the submitted applications ended with signing of the agreement (50 to 75%).

6. Local government units in the new programming period 2014-2020

In the funding period 2014-2020 the EU plans to invest nearly 960 billion euro. Comparing to the previous programming period 2007-2013, the current budget gives priority to economic growth, employment and competitiveness and a much larger pool of resources will be allocated for that goal. Overall resources predicted for 2014-2020 are slightly smaller than in the period 2007-2013 (960 billion

euro to 994 billion euro). Figure 12 presents funds allocation for specific targets in both 2007-2013 and 2014-2020 perspectives.

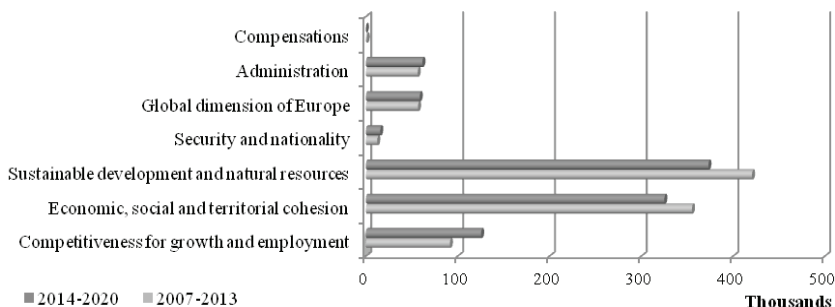


Figure 12. Distribution of EU funds by sections – a comparison of the periods 2014-2020 and 2007-2013 (million)

Source: Own study based on data available on www.ec.europa.eu/budget/mff/figures/index_en.cfm

The specific allocation of funds in the particular goals during two perspectives 2007-2013 and 2014-2020 indicates that the largest increase in resources concerns goal 2: Sustainable Growth and Natural Resources (the share in total EU expenditure increased from 9% to 13%). Currently a little smaller funds were provided for: economic, social and territorial cohesion (34% compared to 36% in 2007-2013) and sustainable growth and natural resources (39% against 42%). Higher amounts were provided for other expenditures.

Common Strategic Frameworks (WSR) are supposed to translate the Europe 2020 strategy into Community policies and the Structural Funds implementing them³⁹. The Europe 2020 strategy assumes smart, sustainable and inclusive growth. In addition to six proposals of specific regulations relating to cohesion policy, there was also the proposal of the General Regulation, which establishes

³⁹ A. Chlebicka, P. Litwiniuk P., *Nowe ramy strategiczne dla polityki rozwoju obszarów wiejskich w latach 2014–2020. Polityki Europejskie*, “Finanse i Marketing”, 8(2012), p. 97.

common rules for five funds: The European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD), the European Maritime and Fisheries Fund (EFRM) – Regulation for funding the Common Strategic Framework 2014-2020⁴⁰. According to the draft of the EU budget for 2014-2020, the CSF will include funds that in total constitute more than 40% of the EU budget.⁴¹

Programming support for 2014-2020 and adapting the new implementation system for current requirements is a serious challenge for the central government, as well as for the regional level. Moreover, it should also be remembered that, in adopting the Europe 2020 strategy, Poland not only agreed with objectives and priorities set by the EU, but also accepted specific commitments. They are so demanding that our future allocation from the EU budget will not be sufficient for their financing. Therefore, what is necessary is the synergy of actions co-financed from the EU budget with those funded exclusively from the national budget. According to the additionality principle, EU funding cannot replace domestic investments, but should be a driving force of structural changes and generate the leverage effect.

Funds allocation in the new perspective 2014-2020 by programs is presented in Figure 13.

The largest pool of funds will be allocated for regional programs (over 31 billion) and activities in the area of infrastructure and the environment (27.4 billion euro). As part of the ROP VL regional

⁴⁰ Regulation of the European Parliament and Council Regulation (EU) No 1303/2013 of 17 December 2013 laying down common 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 and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006.

⁴¹ www.ec.europa.eu/europe2020/europe-2020-in-a-nutshell/targets/index_pl.htm

authorities intend to lead the targeting intervention as much as possible to achieve objectives of the Europe 2020 strategy. In this context, the key horizontal challenges for the development of the Lublin region are:

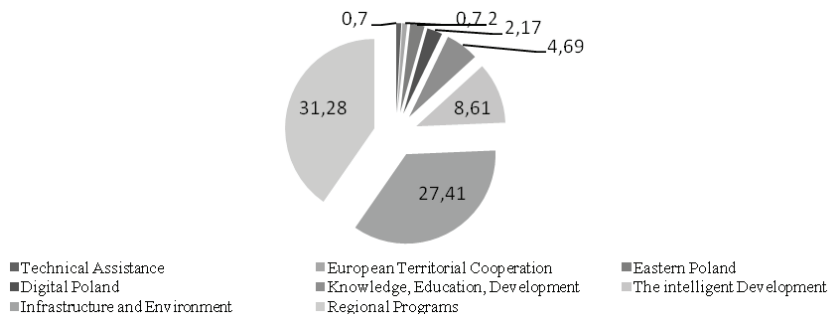


Figure 13. Value of funds for specific programs in the 2014-2020 (billion)

Source: own calculations based on data from the Ministry of Regional Development.

Adverse demographic changes (depopulation and aging of the population), which affect the education, labour market and public services.

The need to change the structure of the economy, promoting the development of enterprises and the adaptation of inhabitants' qualifications to the requirements of the modern labour market, infrastructure deficiencies which condition the increase of the attractiveness of the region as a place to invest and live in.

The primary goal of the ROP VL in 2014-2020 is to improve the competitiveness of the region based on internal potentials, encourage increase of social and territorial cohesion. The main objective will be achieved by the intervention in all 13 Priority Axes, including 10 thematic objectives. Rural areas, despite the accumulation of negative phenomena, have inner potentials. The ROP VL intervention will focus on areas where the accumulation of infrastructural, social, economic barriers leads to permanent marginalization, and consequently to the exclusion of a large group of people. Support

shall be concentrated on certain priority axes resulting from the non-territorial criteria. About 50% of the allocation will be directed to the support of rural areas. Local government units will be able to become the beneficiaries under 9 following Priority Axes:

- Priority Axis 2 Digital Lublin,
- Priority Axis 3 Competitiveness of enterprises (local government units will receive assistance for activities related to the organization of investment areas and their complex management),
- Priority Axis 4 Friendly energy,
- Priority Axis 6 Environmental protection and efficient use of resources,
- Priority Axis 7 Protection of cultural and natural heritage,
- Priority Axis 8 Regional mobility and ecological transport,
- Priority Axis 9 Labour market,
- Priority Axis 11 Social inclusion,
- Priority Axis 13 Social infrastructure.⁴²

The Rural Development Program (RDP) for the period 2014-2020 was prepared according to the European Union regulations⁴³. It is planned that the total public funds allocated for its implementation will be more than 13 billion euro, including 8.5 billion euro from the EU budget (EAFRD) and 4.9 billion euro of national contribution. A total of 15 actions will be carried out in the framework of the RDP. In order to ensure sustainable rural development the following activities will be continued: the development of entrepreneurship, renovation and development of rural areas, including technical infrastructure. They will be implemented both in separate actions and as action in the Leader program. Continuation of the implementation of

⁴² *Regional Operational Programme of Lublin 2014-2020. Project*, Lublin: Urząd Marszałkowski Województwa Lubelskiego 2014 (<http://rpo.lubelskie.pl>).

⁴³ *Regulation of the European Parliament and Council Regulation (EU) No 1305/2013 of 17 December 2013. On support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation, (EC) No. 1698/2005.*

local development strategies (Leader) will strengthen bottom-up initiatives of local communities⁴⁴.

In the conducted studies, 98.8% of rural communities of Lubelskie Voivodship plan to obtain funds from the EU funds in 2014-2020. Only 1.2% of respondents said they are not be likely to reach for the support in the new programming period. The received data confirm that local government units want to be an active subject of regional policy.

Final remarks

The received data allow us to conclude that many regions, including Lublin Voivodship, treat the EU help as a source of the realization of investments in basic infrastructure. Many years of its lack led to the need of starting with these investments. Local government units in the last two financial perspectives 2004-2006 and 2007-2013 gained valuable experience in reaching for the support from EU funds. The procedures of writing grant applications were specific training in strategic thinking. The majority of local governments include a long-term view of the development of unit only in strategies which are often another document created for the bureaucratic machinery. Due to changes in the environment and the increasing pressure to be competitive, local governments look for endogenous potentials and try to use exogenous factors (external sources of financing). The next perspective 2014-2020 is an opportunity to realize projects changing social and economic situation of units and going beyond basic needs. Public administration again has a chance to undertake entrepreneurial activities. In addition, all local governments should again evaluate their ability to absorb EU aid taking into account the financial, personnel, organizational and institutional sphere.

⁴⁴ *Projekt Programu Rozwoju Obszarów Wiejskich na lata 2014-2020*, Warszawa: Ministerstwo Rolnictwa i Rozwoju Wsi 2014.

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