How effective are regional development policies? Poland as a laboratory for the EU regional policy.

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The problem of uneven regional development has been formulated during late 1930s. Several schools of regional development theory have emerged: neo-classical, export base and growth poles based on Keynes's analysis , cumulative causation theory of G.Myrdal with elements of institutional approach . Each of them has tried to answer the question how to stimulate more equitable economic growth. The main factors of growth: technological change and human capital have been treated as exogenous variables.[1] New growth theories that emerged in 1980s treated these variables as endogenous to the growth process.[2] Disparities in the development of regions were explained by different level of the quality of human capital and technologies.

Neo-institutional approach to regional development started in 1980s is continued until today in the form of regulation theory, theory of flexible specialization and the theory of learning region[3]. It is especially interesting because of its concentration on the new factors of growth: knowledge, ability to learn and creative attitude to innovation and culture. It also: 1) provides a relatively good explanation of observed low, even in the long run, convergence between a knowledge rich regions and knowledge- poor ones[4], 2) introduces a notion of "competitive advantage" defined as competitive opportunities realized at level of locality, 3) stresses the need to focus on the energy and efforts at the local level to identify and create region's own strategy of development.

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[1] OECD Territorial Outlook. 2001 Edition, I. Nedomlelova „Selected Models of economic growth versus the Theory of Regional Development" 2007 at http://ahms.kin.tul.cz

[2] P.M. Romer „Increasing Returns and Long-Run Growth", Journal of Political economy, vol. 94, October 1986; P.M. Romer "Endogenous Technological Change", Journal of Political Economy, October 1990

[3] I. Nedomlelova, op.cit. p.9

[4] G. Ray „Endogenous Growth Theory and Regional Development: A New Modeling Approach", Boston University, at: http://pse2kuciv.kyoto-u.ac.jp

Contemporary regional policy investing in education and science, focused on improvement of institutions at the local level is based on that theory.

Main characteristic of European Union regional policy

The main objective of Common Regional Policy is the reduction of existing regional disparities by transferring community resources to less developed regions using the instrument of structural funds. CRP coordinates national regional policies by formulating guidelines and certain principles to avoid competition for regional aid between Member States. The policy is an essential instrument of economic and social cohesion. The Treaty of Maastricht established the social and economic cohesion as a objective of the European Union and created the Cohesion Fund.

Regional policy share of the budget has increased over time. In the current 2007-2013 Financial Framework the amount of E 348 billion in current prices will be spent – it constitutes 36.7% of the EU budget in 2007 and 38.1% in 2013. Table 1 shows that the share of regional policy has risen each year and in the period 1988 – 2007 almost doubled. The growth was possible because of lower payments to agriculture. In recent years that growth was much slower despite the increased disparity caused by the European Union enlargement.

Table 1

Policies' Shares of the EU Budget

Year	Regional Policy (%of EU Budget)	CAP (%of EU Budget)	EU Budget as % of EU GNP or GNI
1975	6.2	70.9	0.53
1980	11.0	68.6	0.80
1985	12.8	68.4	0.92
1988	17.2	60.7	1.12
1993	32.3	53.5	1.20
2000	34.8	44.5	1.07
2007	36.7	47.1	1.04
2013	38.1	43.0	0.93

Sources: European Commission, "The Community Budget: Facts in Figures", 2000, European Navigator at www.ena.lu, "The Future of EU Regional Policy" 19 Report of Session 2007-2008, House of Lords European Union Committee at: www.publications.parliament.uk

Table 2

Regional GDP per Head in the European Union, 2005

Country	Year of Accession	GDP per head (PPS, EU27=100) National	GDP per head (PPS UE27=100) Richest region	GDP per head (UE27=100) poorest region
Bulgaria	2007	35.3	52.2	26.9
Romania	2007	35.4	52.2	24.2
Latvia	2004	49.9	n.a.	n.a.
Poland	2004	51.3	81.2	35.0
Lithuania	2004	53.2	n.a.	n.a.
Slovakia	2004	60.6	147.9	43.1
Estonia	2004	62.9	n.a.	n.a.
Hungary	2004	64.3	104.9	40.9
Portugal	1986	75.4	106.3	59.8
Czech Rep.	2004	76.6	160.3	59.8
Malta	2004	77.4	n.a.	n.a.
Slovenia	2004	86.9	104.7	71.6
Cyprus	2004	92.6	n.a.	n.a.
Greece	1981	96.4	131.1	59.1
Spain	1986	103.0	133.9	69.7
Italy	1958	104.8	136.7	66.9
France	1958	111.9	172.6	50.5
Finland	1995	115.1	139.5	85.3
Germany	1958	115.2	202.1	74.2
United Kingdom	1973	119.3	302.7	77.4
Belgium	1958	121.1	240.5	79.5
Sweden	1995	123.8	172.2	105.4
Denmark	1973	126.7	161.0	94.9
Austria	1995	128.8	142.7	88.7
Netherlands	1958	131.1	164.0	96.3
Ireland	1973	143.7	158.1	104.3
Luxemburg	1958	264.3	n.a.	n.a.

Source: Eurostat News Release, 12 February 2008, “Regional GDP per Inhabitant in the EU27”

The data in the table 2 show that 2004 and 2007 enlargements have increased disparities both at the national and regional level. Inside the EU-15 significant differences of the GDP per head between richest and poorest regions are still significant in 2005 despite several years of structural and cohesion policy.

Does it mean that EU regional policy with its rising share in the budget is not effective? The answer to that question it is not easy. There exists of course a large amount of publications trying to evaluate the impact of regional policy. European Commission is probable the leader in the production of numerous reports and analyses on that subject: all of them are rather optimistic and speak on positive contribution to GDP and employment, less obvious are result in field of innovation and competitiveness, main areas of the Lisbon Strategy. No less active and no less optimistic are Member States publications, especially of major recipients of structural and cohesion funds. Governments being responsible for effective implementations of European funds are obliged by the European Commission to evaluate impact of each project. At the same time they are working under a strong political pressure of public opinion sensitive to all cases of delays in implementation of financial allocations at the country and region level. So their optimism is often used as a tool to achieve political rather than economic tasks..

More critical opinion are expressed by some experts working in independent institutes and some international organizations promoting reforms of EU regional policy.

How effective is the European Union regional policy?

European Commission reports on economic and social cohesion are issued regularly and contain assessments of the impact of the funds including detailed evaluation at the project level. Reports try to compare the impact of EU's regional policy through assessment of the performance of the Member States and regions with the EU average.

Commission presents rather optimistic approach towards funds impact. The best example of that approach is the following EC statement: "Convergence among European regions has remained strong in recent years, leading to a marked narrowing of disparities in GDP per head, employment and especially unemployment rates".[5] It is very difficult to explain what was contribution of the cohesion policy to that narrowing process. Professor Bachtler indicates that there is a "whole series of other factors, such as increased openness to trade, that could play a role". [6] In the other part of the report the Commission admits the continuing divergence across the regions: " absolute disparities remain large. This is partly as a result of recent enlargement and partly as growth tends to concentrate in the most dynamic areas within countries".[7] Table 2 fully confirms the last opinion .

On the other hand it is true that some spectacular results were at the same time achieved by Ireland which grew at 4 percentage points above the EU average in the period 1995-2005 and has now the second highest GDP per head in the EU. Spain and Greece have also exceeded the EU-15 average growth rate by 0.7 and 1.5 percentage points respectively. Portugal was growing at the rate above the EU average until 1999, but since then grew at the rate below EU average. In 1995 there were 50 regions with per head GDP below 75% of the EU15 average and by 2004 12 of these had moved above 75% of EU average GNI per head. 5 regions had slipped below 75% at the same time.[8]

Major regional disparities persist in the area of innovation capacity. According the latest data, expenditure on R&D amounted to an average of 1.9% of EU-27 GDP in 2003. Regional disparities, however, are extremely wide: 27 regions exceeded the 3% share in the GDP but in more than 100 regions expenditure was less than 1% of GDP. All the regions from the first group have a relatively high level of GDP per head. Regions with the low R&D expenditure are all in the new Member States.

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[5] "Growing Regions, Growing Europe. Fourth Report on Economic and Social Cohesion, European Commission 2007, p.8

[6] The Future of Regional Policy, op.cit. p. 35

[7] "Growing Regions, Growing Europe. Fourth Report on Economic and Social Cohesion, European Commission, 2007

[8] Ibidem, p.5

Optimistic, however, is the information that in a number of regions with GDP per head below 75% of the EU average (Spain, Finland, Germany, Italy) expenditure on R&D has risen more than EU average.[9]The main reason of the large regional disparities in the innovation capacity is the structure of investment supported by structural funds. Over the period 2000-2006, for example, investment in the lagging regions was concentrated on basic needs, particularly transport infrastructure .[10]

European Commission has introduced macroeconomic impact analysis of regional policy. It is now based on 3 models. The HERMIN model[11] shows cohesion policy as having a significantly positive effect, with GDP being 5-10% higher in most of the new Member States as a result of intervention.

Critics of the approach used in the model indicate that "crowding out" effect plays a minor role in the model which results in more positive impact of European Funds. In real economies European money substitutes for expenditures that would have been made anyway so final increase of GDP could be much smaller than predicted. The HERMIN model makes also assumption on existing of the " crowding-in effect" (the effect of Keynesian multiplier). Demand effects are therefore more significant and account for a large share of the overall impact.[12] Critical remarks on the HERMIN model have induced the EC to apply the alternative multi-sector model EcoMod which predicts also significantly positive effects of cohesion policy,[13] especially in the new Member States receiving large funding. According the simulation based on the model the GDP of Slovakia, Lithuania, Latvia and Bulgaria is expected to be 15% higher by 2020 as the result of intervention.[14] The construction of the model is designed to analyze structural changes and supply-side gains in the long-term.

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[9] Ibidem, p.76
[10] Ibidem, p,93
[11] Bradley, Untiedt and Mitze „Analysis of the Impact of Cohesion Policy Using the Cohesion System of HERMIN models", 2007
[12] Fourth report on Economic and Social Cohesion, 2007, p.99
[13] EcoMod „The Economic Impacts of Convergence interventions 2007-13", 2007
[14] „Growing Regions, Growing Europe", Fourth Report on Economic and Social Cohesion, May 2007, p. 96

The third model QUEST II – single sector and multi-country model was developed by the European Commission (DG ECFIN). It incorporates assumptions about strong crowding-out effect of policy interventions, the increase of demand from the structural funds is relatively smaller in the model. There are, however, predicted long-term gains on the supply-side similar to those in HERMIN.

Different models give different results for the same country which is evident from the simulation done by Bradley and Undiedt for Poland Data in table 3 show how higher over the base line scenario (no funds) would be GDP in Poland measured by methods applied by 3 different models. Differences in the predicted impact do not mean that this kind of analysis is useless. Differences in results indicate rather how imperfect are methods used to measure and assess the impact of regional policy. The use of 3 or more alternative models instead of one improves the quality of information and makes regional policy more effective.

Table 3

Simulation results for 2007-2013 impact of EU funds in Poland

increase in GDP (%) over the base-line (no fund scenario)

Year	EcoMod	HERMIN	Quest II
2006	0	0	0
2010	2.6	2.6	1.9
2015	8.2	4.6	5.0
2020	10.4	3.5	4.2

Source: J. Bradley , G. Untiedt "Do Economic Models Tell us Anything Useful about Cohesion Policy Impact,, GEFRA Working Papers, July 2007, No 3

The most difficult issue in research on the effectiveness of regional policy is how to measure what might have otherwise occurred or in other words how to isolate European funds effect from overall performance of economy. The discussion is going on as well about the use of other, than GDP per head, indicators of the impact. Some experts propose to include levels of private investment as an alternative method

of assessing the effectiveness of funds. The level of private investment reflects the market's confidence especially important for the new Member States. Other proposals are linked to social effects such as: disparities in health, unemployment, level of education, degree of social exclusion).[15]

According endogenous theory of regional development the rate of growth in the lagging regions depends on how regions are using opportunities given by the access to European funds. Especially important is the quality of local institutions, level of social capital, and creativity in looking for factors of competitive advantage of the region. To be effective regional policy requires the unique combination of exogenous stimulants in the form of EU funds and endogenous assets at the local level. The recent European Commission report on economic and social cohesion[16] indicates that cohesion policy aims at fostering the endogenous development potential of European regions. Until now, however, most EU countries are over supplied in the field of sector programs at cost of programs tailored to lagging regions needs. The structure of expenditure under the Funds shows an excessive emphasis on infrastructure at the expense of education and human capital which is against main findings of endogenous regional development theory. One of the explanation why Ireland has developed faster than Portugal is the difference in using Structural and Cohesion Funds by those two countries. In Ireland funds were first used in education programs and only subsequently in infrastructure projects. The emphasis of Portugal was primarily on infrastructure despite the low level of education in Portugal.[17]

The EU decision to include cohesion policy into the Lisbon Strategy in the Financial Framework 2007-2013 should change the structure of expenditure. Member States are required to earmark 60% - 75% of the expenditure for Lisbon objective which is the task more forward looking

[15] 'The Future of EU Regional Policy", op.cit. p. 25
[16] Communication from Commission to the European Parliament and the Council, Fifth progress report on economic and social cohesion. Growing regions, growing Europe, p.2 at: http://ec.europa.eu
[17] J. Bradley, G. Untiedt „Economic Modelling and Development Systems", p. 122

then purely building roads and sewerage plants[18] and motivates regions to spend more money on local infrastructure (including wide access to electronic communication) and education.

It is worth to notice that funds "earmarking" has been better accepted by local authorities at regions level than by central administration. Governments of new Member States are afraid that new regulation will result in re-direction of funds to more competitive regions (also those in the "old" union) and limit flexibility to allocate funds in a large infrastructure projects attractive to implement not only economic but political tasks as well. In early years of EU-15 regional policy and also in 2004-2006 in the new Member States (Poland could be an example) the European Commission has strongly supported investment projects in traditional infrastructure. They have been treated as being much easier to manage and resulting in more visible impact of regional policy than investment in education or modern institution building.[19]

The Lisbon Strategy provides also a new term to cohesion policy : "territorial cohesion" which means more than just economic and social cohesion and takes into consideration that fulfillment of some regional policy tasks needs sometimes intra-regional actions, sometimes actions which are local only. This way regional policy starts to be less specific to regions and is more diffuse, focused on education, environment and R&D, climate change and demographic issues.[20] It is not clear yet how that proposal could increase the benefits of the cohesion policy at the region level. It is worth to notice, however, that lagging countries and lagging regions are not able to coordinate efficiently different policy instruments and different types of intervention because of a relatively weak, underdeveloped institutions. Additionally, new areas proposed as tasks of the "territorial cohesion" policy as climate changes and

[18] „ The Future of EU Regional Policy". Op. cit. p.28

[19] The author In 2001-2004 has served as deputy minister responsible for EU accession negotiation of "regional policy chapter" in Poland. Unofficially members of EC have advised to concentrate more on human capital development projects in Polish strategic documents and to allow for higher participation and independence of regions. Officially EC took different position. The result: in the first allocation plan of European funds big infrastructure and sewerage projects dominated over smaller human resources projects or projects supporting SMS companies. EC strongly recommended Polish government to accept highly centralized Regional Operation Program despite strong opposition of local authorities,

[20] The Future of Regional Policy, op.cit. p.36

demographic issues seem to be more important for the “old” EU countries than new EU members.

As for now 81% of the cohesion budget is concentrated in the convergence area, so richer countries have lost to some extent their interest in further increase of cohesion policy budget. On the other hand cohesion expenditure have an important impact in leveraging private funding. That factor motivates non-convergence regions to support the continuation of cohesion policy and the change in the expenditure structure linked to the Lisbon Strategy objectives.

The EU regional policy is moving towards more decentralized model, some experts call it the most decentralized policy the EU has.[21] The European Commission is discharging its responsibilities between European Council, European Parliament and the Court of Auditors on terms of accounting how money is spent. The majority of the decisions how the money is used are taken at the Member States level. Since the early years of EU regional policy there was a conflict between EC and Member States on the issue of responsibilities sharing. Despite progress in the decentralization Member States still ask for more independence in their decision making process and for even less centralized procedures to speed up projects implementation.

Decentralization issue has provoked the discussion on so called “repatriation” or “nationalization” of regional policy. European regions being above 75% EU average GDP per head would prefer to repatriate to them distribution of cohesion funds to diminish EC supervision and control, simplify the regulations and lower the costs of fund management. There is not clear, however, in what way implementation of EU cohesion policy objectives would be met. The Member States could be temped to concentrate on their own national objectives, different from those agreed at the EU level. The slow process of the Lisbon Strategy implementation through the mechanism of “open coordination” characterized by a relatively low degree of discipline, supports the

[21] The Future of Regional Policy, op.cit. p38

opinion that conflict of interests between Member States is still strong. So there is a need of EC leadership and clear division of responsibilities.

Doing impact assessment of the cohesion policy we should also take into consideration heavy administrative burden put on funds recipients. The EU's regulations are to heavy and to inflexible. The often quoted example is the requirement to keep records for 12 years regardless of project size and the same accounting rules for a small cafe and huge infrastructure project.[22]Corruption and mismanagement create a serious problem. The European Court Auditor found that at least 4 billion euro handed out in 2006 "should not have been". Of the projects ECA audited only 31% were found to be free of error, the project costs were overstated and that there were a large numbers of claims for "ineligible expenditure".[23]

It is to early for detailed evaluation of EU funds impact on lagging regions development, the discussion is still going on the future of regional policy. It is to early as well to tell how effective will be the integration of the regional policy with Lisbon Strategy. A good answer to those questions requires the improvements in analysis methods and development of better tools to measure regional policy effects.

Assessing cohesion policy in Poland

In the first programming period 2004-2006 Poland received 12.8 billion euro and was the fourth largest beneficiary in EU but eighth in terms of EU funds per head. In the EU Financial Framework 2007-2013 Poland will receive 67 billion from the cohesion policy – 20 % of cohesion policy budget. All regions in Poland are eligible for funds under the convergence objective. Being the largest recipient of EU funds Poland is treated by the European Commission as a laboratory of cohesion policy –

[22] Gordon Brown has acknowledged that: „There are many things we want to encourage local skills and research and development, and local businesses, but we are not able to do because of the existing rules" BBC, 6 March 2003.
[23] European Report, 10 July 2007.

effects obtained in Poland will decide on the effectiveness of regional policy at the level of EU-27 and decide on its future. [24]

The contemporary regional policy in Poland has been started in 1999. Accession to the EU has created a strong motivation to accelerate changes in administrative structure (creation of regions) and introduction of regional policy regulation.

Table 4

Distribution of EU resources among operational programs, 2004-2007 (as percentage of total allocation)

Operational program	Percentage of total allocation
Cohesion Fund	41 %
Transport	8 %
Human resources	9%
Competitiveness of enterprises	8 %
Regional program	22%
Agriculture	9 %
Fishery	1 %
Equal program	1 %
Interreg program	1 %

Source: "Raport o rozwoju i polityce regionalnej", Ministerstwo Rozwoju Regionalnego, Warszawa 2007,

Table 5

Distribution of EU resources among operational programs 2007-2013 (as % of total allocation)*

Operational program	Percentage of total allocation
Infrastructure and Environment	41.50 %
Human capital	14.40
Innovative economy	12.30 %
Regional programs (16 separate programs)	24.60%
European territorial development	1.10 %

[24] OECD Territorial Reviews, Poland, OECD 2008, p. 102

Development of Eastern Poland	3.40 %
Technical assistance	0.80%
Reserve for implementation	1.90 %

- * Funds for rural development (Agriculture and Fishery programs in 2004-2006) are now separated from cohesion funds
- Source: Ministry of Regional Development 2007 ;OECD Territorial Reviews, Poland, OECD 2008

In both periods 2004-2006 and 2007-2013 the largest part of allocated funds is financing transport development and environment. These two areas have a high position on the priorities list because of three reasons: 1. Poland's infrastructure is underdeveloped and needs more good quality roads and sewerage plants, 2. large projects have been perceived as easier to manage and implement than hundreds of small projects, 3. effects of the large infrastructure projects are more visible than investment in intangible assets.[25]

The structure of European funds expenditure in the first programming period 2004-2007 (table 5) has been strongly dependent on EC recommendations. Insufficient number of projects and lack of skills and experience of territorial administration to deal with cohesion policy procedures have been mentioned as main obstacles during 2004-2006 operational programs negotiations with the Commission. According EC experts, the focus on large projects should help to spend money faster and centralization of regionally assistance in form of single integrated operational program should guarantee better ministerial control over regional administration.

None of obstacles indicated by the Commission occurred in Poland. On the contrary: 1. the value of preliminary accepted projects was several times greater than amount of allocated funds, 2. large infrastructure projects happened the most difficult to implement, 3.

[25] A proper strategy for infrastructure development may seem a „relatively easy and low risk strategy for regional politicians" Rodrigues-Pose and R.Crescenzi "R&D Spillovers Innovation Systems and the Genesis of Regional Growth in Europe", 2006, OECD paper at: www.oecdorg/dataoecd/23/28/37618122.pdf

regional administration has spent Europeans funds much more efficient and effective than Commission predicted. In the programming period 2007-2013 instead of a single regional development program 16 independent regional programs have been established (with the 25 % share in total allocation). Decentralization was the most welcomed by regions giving them opportunity to be really involved in the design and implementation of programs.

Table 6

Allocation of Expenditures of Regional Operational Programs 2007-2013 (as a % of allocation)

Target	The richest region*	The poorest region**	Poland	EU
R&D, entrepreneurship	15.92	14.02	17.07	16.89
Information society	11.63	4.54	5.77	3.75
Transport	36.15	43.27	35.53	24.50
Energy	1.77	3.28	3.46	2.50
Environment protection	14.73	7.09	13.44	15.00
Culture and tourism	3.12	4.86	3.27	3.10
Human resources development	12.25	13.29	13.00	23.00
Social infrastructure	2.88	6.28	4.24	5.50
Territorial development	0.68	1.74	2.58	2.50
Institutional and administrative potential	0.87	1.65	1.66	1.70

*Mazowieckie (81.2% GDP per head 2005 in PPS UE-27 =100).
**Lubelskie (35.0% GDP per head 2005 in PPS UE-27=100)

Source: Ministry of Regional Development, Warsaw, May 2008

Table 6 shows the planned allocation of expenditures of regional operational programs in 2007-2013. Transport development together with environment protection have almost 50% of total allocation. The share of 3 targets important for endogenous regions development (R&D, entrepreneurship , information society and human resources) amounts 34% of total allocation. At the level of individual regions one can notice that most lagging Polish regions have more traditional structure of

expenditure (high share of transport and environment). Regions with high GDP per head intend to spend relatively more on R&D or information society. Could we conclude that transport development and sewerage plants building are still perceived as the most efficient way to increase convergence between Polish regions? To some extent yes but the answer is more optimistic, if we look at individual regions proposals made after the allocation of founds has been announced. Some lagging regions declare the need to re-allocate funds and increase the share of information society expenditures (infrastructure for e-economy more important than highways) which means that long-term tasks as innovations and knowledge economy, slowly start to be really endogenous factors for regions development. The Ministry of Regional Development has published the report on the future of regional policy based on answers to special questionnaire sent by 13 out of 16 Polish regions. The majority of regions is expecting that regional policy will stimulate development of endogenous potential of regions, focus on local entrepreneurship and development of social capital through improvement of financial and business environment institutions, establishment of modern education and research system.[26] That change being a good example of bottom-up type of regional development could be the most significant and long-lasting impact of EU cohesion policy in Poland. It shows, as well, some support at the regional level for inclusion of the cohesion policy into the Lisbon Strategy.

To pass with a good note the test in the laboratory of EU cohesion policy, Poland has to know how to meet main challenges for regional policy. On the list are:[27] 1. Change from sectoral to an integrated territorial approach which requires better inter-ministerial coordination, 2. Removal of deficiencies in strategic thinking, 3. Focusing not only on rapid absorption of funds but, first of all, on their rational use, 4.Reforming regulation framework of cohesion policy.

The deficiency of strategic thinking takes a very peculiar form: instead of single strategy of long- term development accepted by all

[26] „Nowa koncepcja polityki regionalnej" Ministerstwo Rozwoju Regionalnego, Warszawa , April 2008, Ewa Freyberg „Przyszłość europejskiej i polskiej polityki regionalnej" Europejski Doradca Samorządowy 2008
[27] OECD Territorial Reviews, Poland, OECD 2008

political forces and implemented step by step, independently on political cycles, there exist at least hundreds of different sectoral, regional or other strategies. That kind of "overproduction" combined with the lack of inter-ministerial coordination results in chaotic, inconsistent cohesion policy. The best example is the case of transport which is receiving more than a half of all allocated for Poland European funds.[28] Effects of these huge expenditures will be not optimal unless Poland will not improve strategic planning processes. It should focus more on urban transport systems (including the development of public transport), modernization of rail transport, and integration of housing and transport development. In period 2007-2013 Poland allocated 51.70% funds for road transport and 27.00% for rail transport in the Operational Program Infrastructure and Environment. In the regional programs the rail transport's share amounts 13.3% only versus 69.8% share of road transport.[29] It is not clear, however, if during the decision making process government was aware of all consequences putting road transport so high on its priorities list. This type of decisions having a significant impact on future development should be made after a wide public debate on Poland's strategic targets and be consistent with a single strategy accepted by all political forces. Even more important, however, is the availability of impact assessment analysis, showing in money terms all benefits and costs of alternative paths of infrastructure development, including the broadband development throughout Poland. Unfortunately, Polish administration does not have, yet, sufficient experience in costs-benefit analysis, so strategic planning is often based on intuition instead on econometric models.[30] Because of that, the programming of funds allocation is far from being optimal. Ministry is collecting individual proposals and trying to integrate them but the lack of appropriate tools makes operational programs similar more to patch-work type construction than programs consistent with a long-term strategy. The change of that situation is possible only when appropriate reforms of

[28] More than 41% of funds of central programs and 26.1% of a budget of regional programs, (table 6)
[29] Ministry of Transport, 2007
[30] „Cost-benefit analyses are essential to determine which investments will be optimal and to achieve the necessary balance. So far there seems to be insufficient analysis of the benefits from proposed investments" Economic Survey of Poland, OECD Publications, Paris 2008; OECD Territorial Reviews, Poland, OECD 2008, p.119.

Polish administration will come. As for now Prime Minister Office's position is not strong enough to coordinate activities of ministries in an efficient way. There also is no clear how far Ministry of Regional Development is allowed to intervene into strategic plans of individual ministries because of constant blocking by them amendments to existing regulation, giving more authority to Ministry of Regional Development. It seems that present inter-ministerial coordination system , based to some extent on pre-transformation procedures, is immune to changes. The relatively low propensity to reform is partially caused by still unstable political system and a weak pressure for necessary changes from the private sector.

Low quality of cohesion policy regulation makes effects of regional policy lower than could be in a "Better Regulation" environment. Excessive, inconsistent and inflexible regulation," gold-plating" of EU regulation, slow progress in implementation of regulatory reform are, a few only examples, of institutional environment unfriendly to cohesion regions. They increase costs of regional policy and motivate to concentrate on fast funds absorption rather than their rational use. [31]

Conclusions

1. Effects of EU cohesion policy are lower than expected, disparities between Member States and regions are still significant,
2. More perfect tools to measure the impact of regional policy are needed,
3. Cohesion regions should be encouraged to develop their own strategies focused on local infrastructure and education priorities,
4. More assistance is needed to improve administrative capacity and regulation quality, especially in new Member States,

[31] The regulation under which money allocated for a project should be spent within 2 years of being entered into the budget (n+2 rule) or money will be cancelled.

5. A continuation of the debate on cohesion policy future should help to avoid conflict of interest between poor and rich EU countries,
6. Cohesion policy in Poland will be used by the Commission as a test , the results of which could decide on the shape of future regional policy in Europe,
7. Results of that test are even more important for Poland itself. They should be used as the source of guidelines how to improve the quality of regional policy,
8. Elements that need to be improved are: a)formulation of a single , consequently implemented strategy of country development integrated with regional policy targets, b)increased efficiency of coordination between all governance levels, c) better regulation,
9. Regulatory reform in Poland should, first of all, focus on quality of rules in the area of cohesion policy. Until now there is no coordination between regulatory reform in general and changes introduced to cohesion policy regulation,
10. Polish regions seem be high motivated and quite well prepared to benefit from cohesion policy. The use of this potential could be used to increase Polish input into future EU cohesion policy.

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