



# European regional policy and its implementation in Poland in 2007-2013<sup>1</sup>

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**Abstract:** This article aims to discuss the objectives and instruments of the European regional policy with particular reference to the current period of its programming. Programming is a particular feature of the implementation of the Community policy, therefore this study is also intended to present a short overview of the programming of this policy in Poland. The main information about the existence and evolution of European regional policy is presented. Special attention is given to its political programming (tasks and spheres of financial intervention), especially budget programming. The main purposes of solidarity policy in Poland are presented. Its programming tools which are implemented according to the main document, which characterises directions of financial support from the EU, are given. This document entitled the National Strategic Frames presents a diagnosis of the social and economic situation of the country and the intentions of its regions towards development of solidarity. It contains a chapter about financial resources sharing according to operation programs as well as a description of the realization system.

**Keywords:** regional policy, financial tools for regional policy, structural funds, solidarity fund, operation programs.

## 1. Introduction

Actions on reducing disparities in the development between different regions of the Member States are taken to increase the economic, social, and territorial cohesion of the whole area of the European Union. The European policy is defined as a policy aimed at “closing the gap in the living standards of the population, in the level of economic development of countries and regions, in the regional infrastructure and on the labour market.” Initially, regional policy was not the policy of the Community. Member States carried out their national regional policies. Until

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1988 actions at Community level were only complementary to national policies (Komisja Europejska, 2007).

This article aims to discuss the objectives and instruments of the European regional policy with particular reference to the current period of its programming. Programming is a particular feature of the implementation of the Community policy, therefore this study is also intended to present a short overview of the programming of this policy in Poland.

## **2. The evolution and goals of the European regional policy**

The European regional policy has developed gradually (Borowiec and Wilk, 1997: 150). In the Treaty of Rome no provisions relating to European regional policy were adopted. Reducing regional imbalances was to be achieved by implementation of mechanisms of the rules of free competition, including assistance to regions with a significantly low standard of living and employment, and supporting the development of specific areas of the economy. A regional approach to competition rules was also included in the Common Agricultural Policy and the European policies in the coal and steel sectors. The only institution provided by the Treaty and focused on regional development is the European Investment Bank. One of its tasks is to “facilitate the financing of projects for the development of less developed regions” (Article 267 TEC). The date of breakthrough came in 1972 when the Paris summit reaffirmed the implementation of Community regional policy. In 1974 the European Regional Development Fund (ERDF) was created. The distribution of aid funds between Member States relied at that time on determination of national quota. The first ERDF was rather an instrument of budget redistribution for less developed regions than a tool of a regional policy. The fund supported national regional policy funds within the framework of long-term regional development plans passed by each Member State. In 1979, the Fund’s Rules provided for the introduction of subsidies to the regions beyond areas supported by the state. A need for coordination of national regional policies of states at the Community forum was also recognized. In 1984 there was another revision of the Fund Rules. National quotas were replaced with maximum and minimum limits for financial intervention of the Member States, and methods of community intervention were set out (community programmes, national programmes, projects financing infrastructure or

productive investment.

By 1987, the European regional policy had had limited impact on regional development processes (also because of limited resources). As a result of the third extension of the Community, deterioration of regional imbalances and a fear of negative consequences, the creation of a common market for its cohesion occurred. Therefore, a radical reform of structural funds has been put in place (Eidem, 2005: 421-24). The rules of this reform were set out in the Single European Act (signed in 1986) under which Title V “Economic and social cohesion” was included in the EC Treaty. Strengthened actions in this field resulted from the realization that regional differences were detrimental to the poorest regions and negatively affected the functioning of the whole Union (Ładysz, 2008: 122). The reform of the Funds in 1988, set out priorities of the Community regional policy. These goals, in successive periods of the programme, underwent some changes. The principles of regional policy formulated at that time are in force today. The reform was accompanied by a reform of budget funds and increasing resources for financial support for regions.<sup>2</sup>

Priority objectives of regional policy in the years 1989-1993 were: supporting the development and structural adjustment of regions lagging behind (Objective 1), assistance in conversion of declining industrial regions (Objective 2), fighting long-term unemployment and youth unemployment (Objectives 3 and 4) acceleration of structural changes in agriculture and fisheries (Objective 5a) and support for rural development (Objective 5b).<sup>3</sup>

In 1994-1999, these objectives were modified. A wider range was given to social objectives (Objective 3: combating long-term unemployment and facilitating the professional integration of persons threatened with exclusion from the labour market; Objective 4: adaptation of the workforce to industrial changes and changes in production systems) and Objective 6: Troubleshooting sparsely populated regions of the Nordic countries.

Another reform of the Structural Funds took place in 1999 and was associated with the prospect of enlargement of the European Union by the countries of Central and Eastern Europe and the Union’s striving to improve the effectiveness of its regional policy. As a result of this reform, in 2000-2006 the number of objectives was limited to three (Objective 1 – promoting the development and structural adjustment of regions lagging behind, Objective 2 – assistance with

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<sup>2</sup> Resources for the Community regional policy were doubled in 1989-1993.

<sup>3</sup> Objectives 3, 4, 5a had a horizontal character.

conversion of areas experiencing structural difficulties, Objective 3 – modernization of education systems and promotion of employment). Objectives 1 and 2 were regional in nature.

For the programming period 2007-2013, key priorities in the European Union regional policy activities are economic, social and territorial cohesion through greater economic growth and employment in all regions and cities (Ładysz, 2008: 136). The objectives of EU cohesion policy are now:

1. Convergence (Objective 1) – is to foster growth and job creation in the least prosperous regions. (81.7% of all Structural Funds and the Cohesion Fund have been allocated for its implementation. Aid covers regions whose GDP per capita does not exceed 75% of the EU average and the regions included in the so-called. Statistical effect) (Kawecka-Wyrzykowska, 2007: 261).
2. Competitiveness and Employment in regions (Objective 2) – is to lead to increased attractiveness and competitiveness of the regions not covered by Objective 1. 15.95% of the total cohesion policy resources have been allocated for the financing of projects undertaken under this objective.<sup>4</sup>
3. European Territorial Cooperation (Objective 3) – is a continuation of the Community Initiative INTRREG. 2.52% of funds of cohesion policy have been allocated for this objective.<sup>5</sup>

### **3. Instruments of European regional policy**

The financial instruments of the European regional policy include the Structural Funds and the Cohesion Fund (created in 1993). By 2006, that policy's instruments covered also Community Initiatives. The Structural funds by 2006 were: the European Social Fund (ESF created in 1960), the European Agricultural Guidance and Guarantee Fund (EAGGF, 1962),<sup>6</sup> the European Regional Development Fund (ERDF, 1975), the Financial Instrument for Fisheries

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<sup>4</sup> Council Regulation, EC, No. 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No. 1260/1999, OJ L L210/25.

<sup>5</sup> Council Regulation, EC, No. 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No. 1260/1999, OJ L L210/25.

<sup>6</sup> Since 2007, the fund has been converted to the European Agricultural Fund for Rural Development and has become the instrument of the Common Agricultural Policy.

Guidance (FIG, 1993) (Winiarski, 2006: 544).<sup>7</sup> In the current fiscal perspective, the financial instruments of the Community policy are the ERDF, the ESF and the Cohesion Fund.

In the period 2007-2013 the ERDF is financing the implementation of production and infrastructure investments, and the development of endogenous potential by measures encouraging regional and local development and technical assistance. ESF in the current programming period finances projects related to, among other things, improving adaptability of workers and enterprises, increasing access to the labour market, counteracting unemployment, increasing social inclusion, strengthening human capital.

The Cohesion Fund in the new cohesion policy funding was included in the objective Convergence (formerly supported individual projects) and subjected to the same rules as the Structural Funds. This Fund finances major projects in the fields of environment and trans-European transport networks (Sukrowska, 2006: 77). Financial aid is awarded on a national level.

Regional policy instruments also include loans from the European Investment Bank (EIB). The Bank was established under the Treaty of Rome. It finances investment projects in all sectors of the economy, associated with: regional development, human capital, the European transport infrastructure and telecommunications, natural environment and quality of life, energy, and industrial competitiveness. Loans to support regional development have the greatest share in the Bank's lending activities (Borowiec and Wilk, 2005: 433-34). Loans are granted for periods of up to 20 years. In 2000-2006, 71% of total loans were transferred for the purpose of regional development (Komisja Europejska, 2007: 122-123).

In addition to the Structural Funds and the Cohesion Fund, Community Initiatives functioned in the previous programming periods. Community Initiatives were established during the reform of the structural policy in 1988 to solve development problems relevant to the functioning and development of the entire Community. The number of Initiatives in various programming periods underwent changes. In the years 1989-1993 and 1994-1999, there were several of them, in 2000-2006 their number was limited to four (EQUAL, INTERREG III, LEADER +, URBAN). In the current programming period, this form of intervention has been abandoned and its tasks taken over by other instruments of cohesion policy (they have been included in mainstream programming).

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<sup>7</sup> Since 2007, the fund has been converted to the European Fisheries Fund and has become a financial instrument of the Common Fisheries Policy.

The new cohesion policy instruments, i.e. JASPERS, JEREMIE and JESSICA, are an expression of cooperation between the European Commission and European financial institutions (including the EIB). JASPERS is a database of professional assistance to the beneficiaries of EU cohesion policy. Its aim is to assist member countries in preparing large infrastructure projects. JEREMIE is a form of assistance targeted to small and medium enterprises in raising funds. JESSICA aims to support renewable energy investments from the Structural Funds, contributing to urban revitalization and development (Komisja Europejska, 2007: 122-123).

#### **4. Programming the cohesion policy in Poland**

One of the basic principles of cohesion policy is the principle of programming. This principle consists in organizing, decision making, and financing activities of the European Union and member countries within the framework of a multiannual programming period. The first multiannual programming period covered the years 1989-1993 (4 years), the second one 1994-1999 (6 years), the next programming periods cover 7 years (2000-2006 and 2007-2013). Planning financial interventions from the Structural Funds and the Cohesion Fund also underwent changes. In the previous programming period, based on the Integrated Guidelines of the European Union, member countries drew up national plans for development, forming the basis for the preparation of the Community Support Framework. The next step was to develop operational programmes and supplements to the programmes. In the current budget period the stages of programming financial assistance from EU funds have been reduced. To achieve Objective 1 and Objective 2, the European Commission has presented the Member States with the Community Strategic Guidelines and the Member States have prepared on their basis (taking into account the Lisbon Strategy) National Strategic Reference Framework (NSRF) and Operational Programmes (Ruszkowski et al., 2003: 420-21).

The Polish programming document for the period 2004-2006 was the National Development Plan, which was implemented on the basis of five Sectoral Operational Programmes, the Integrated Regional Operational Programme and the Technical Assistance Operational Programme. Areas of support from the EU (under the European Regional Development Fund, the European Social Fund and the Cohesion Fund) in Poland in the current

programming period are contained in the National Strategic Reference Framework (NSRF).<sup>8</sup> It is a basic strategic document containing the diagnosis of the socio-economic situation of the country and regions, identifying key challenges for the economy, the objectives of achieving social, economic and spatial cohesion with the countries and regions of the European Union (Jankowska et al., 2009: 20). It also includes allocation of funds for particular operational programmes and determines the system for their implementation (Goździk, 2008: 71). This document takes into account the provisions of the National Development Strategy for 2007-2015 and the National Reform Programme for 2005-2008. The actions foreseen in the NSRF/NCS are designed to achieve the Lisbon Strategy.

The strategic objective of the NSRF “is to create conditions for increasing the competitiveness of the knowledge-based economy and entrepreneurship, providing employment and increasing the level of social, economic and spatial cohesion (Ministerstwo Rozwoju Regionalnego, 2007: 40).” The strategic goal was supplemented by the following specific horizontal objectives (Ministerstwo Rozwoju Regionalnego, 2007: 42):

Objective 1. Improving the functioning of public institutions and development of partnership mechanisms.

Objective 2. Improving the quality of human capital and enhancing social cohesion.

Objective 3. Construction and modernization of technical and social infra-structure of fundamental importance for the competitiveness of Poland.

Objective 4. Improving the competitiveness and innovativeness of enterprises, including, in particular, the manufacturing sector with high value added and service sector development.

Objective 5. Increasing the competitiveness of Polish regions and preventing their social, economic and spatial marginalisation.

Objective 6. Balancing growth opportunities and supporting structural changes in rural areas.

## **5. Implementation of the objectives of the NSRF/NCS**

A tool to implement the objectives set out in the NSRF/NCS is Operational Programmes (OP). These are (Ministerstwo Rozwoju Regionalnego, 2007: 95): the Operational Programme

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<sup>8</sup> In Polish Narodowa Strategia spójności (NSS).

Infrastructure and Environment (OP I&E), Operational Programme Innovative Economy (OP IE), Operational Programme Human Capital (OP HC) 16 Regional Operational Programmes (ROP), Operational Programme Development of Eastern Poland (OP EPD) Operational Programme of the European Territorial Cooperation (PO ETC), Operational Program Technical Assistance (OP TA).

For the implementation of the National Cohesion Strategy, funds in the amount of EUR 85.6 thousand million have been provided, of which 67.3 thousand million are EU funds, 11.9 thousand million will come from national public funds (including 5.9 from the state budget) and 6.4 thousand million Euro from the sources of private entities) (Ministerstwo Rozwoju Regionalnego, 2007: 116). The distribution of the Structural Funds and the Cohesion Fund is shown in Table 1.

**Table 1. Participation of programmes in the whole allocation and in Objective 1 in Poland in 2007-2013**

Operational Program	Aid value in thousands of millions euro	% share of resources	Source of financing
Infrastructure and Environment	27.9	41.9	ERDF, Cohesion Fund
Regional Operational Programmes	16.6	24.9	ERDF
Human Capital	9.7	14.6	ECF
Innovative Economy	8.3	12.4	ERDF
Development of Eastern Poland	2.3	3.4	ERDF (including additional 992 million euros granted by the European Commission)
Technical Assistance	0.5	0.8	ERDF
Performance Reserve	1.3	2.0	ERDF, ECF
Total	66.6	100.0	

Source: Ministerstwo Rozwoju Regionalnego, 2007: 117.

Sixteen regional operational programs and the Operational Programme for the Development of Eastern Poland have a directly regional nature. 28.3% of the funds have been allocated to finance these programs (Objective 1 – Convergence). The other sums are to finance horizontal programmes. Some horizontal programs comprise regionally implemented priorities (particularly OP Human Capital).

Under Objective 3 (European Territorial Cooperation) funds amounting to 731.1 million euro have been divided between cross-border cooperation programmes (438.5 million euro – 78.6% of total funds allocated to this objective) and the Transnational Cooperation Programmes



(119.2 million – 21.4% of total resources) (Ministerstwo Rozwoju Regionalnego, 2007: 116-17). NCS also provides for implementation of the Programme of interregional Cooperation covering the whole territory of the European Union.

**Table 2. Allocation of Community funds for operational programs (in millions of euro). Objective Convergence**

Operational Programme	Amount	Fund
16 Regional Operational Programmes	16 556.6	ERDF
Dolnośląskie Voivodship	1 213.1	
Kujawsko-Pomorskie Voivodship	951.0	
Lubelskie Voivodship	1 155.8	
Lubuskie Voivodship	439.2	
Łódzkie Voivodship	1 006.4	
Małopolskie Voivodship	1 290.3	
Mazowieckie Voivodship	1 831.5	
Opolskie Voivodship	427.1	
Podkarpackie Voivodship	1 136.3	
Podlaskie Voivodship	636.2	
Pomorskie Voivodship	885.1	
Śląskie Voivodship	1 712.9	
Świętokrzyskie Voivodship	725.8	
Warmińsko-Mazurskie Voivodship	1 036.5	
Wielkopolskie Voivodship	1 272.8	
Zachodniopomorskie Voivodship	835.4	
OP Development of Eastern Polish	2 273.8	ERDF
OP Infrastructure and Environment	27 913.7	ERDF/ECF
OP Innovative Economy	8 254.8	ERDF
OP Human Capital	9 707.2	ECF
OP Technical Assistance	516.7	ERDF
OP Performance Reserve	1 331.3	ERDF/ECF

Source: Ministerstwo Rozwoju Regionalnego, 2007: 117.

Distribution of resources between regional operational programs has been made based on population criteria (80% of the funds are divided in proportion to the population), income (10% in proportion to the number of inhabitants in regions where average GDP per capita in 2001-2003 was lower than average in the country) and unemployment (10% allocated to districts where the average unemployment rate in 2003-2005 exceeded 150% national average) (Ministerstwo Rozwoju Regionalnego, 2007: 118). Distribution of funds for programs of regional character are presented in Table 2

EU aid also covers other areas of intervention which are instruments of the Common Agricultural Policy (European Agricultural Fund for Rural Development) and the Common

Fisheries Policy (European Fisheries Fund). These instruments are closely correlated with the cohesion policy. For the use of financial resources OP Rural Development (13 230.0 million) and OP Sustainability of Fisheries and Coastal Fishing Areas (734.1 million) have been developed.

## 6. Conclusions

The main objective of the European regional policy is to create conditions for increasing the competitiveness of regions and the quest for social, economic and territorial cohesion. An increasing share of funds in the budget of the European Union allocated for the implementation of this policy testifies to its importance.

After accession to the European Community Poland gained access to financial instruments of the regional policy (and in general the cohesion policy). In the present financial programming period Poland became the biggest beneficiary of this policy. Close to a quarter of total funds allocated for its implementation are directed to our economy. Owing to the low level of development of regions, our whole country is covered by the activities of EU Objective 1 (Convergence) and supported by means of the Structural Funds, the Cohesion Fund (including the European Investment Bank loans).

Resources available to Poland make socio-economic development of the country and regions possible. They are an opportunity for development for many areas in need of help and should help to reduce the disparity with other regions of the Union. The effectiveness of EU financial intervention depends not only on the allocation of funds to specific operational programs, but also on the activity of the entities using them.

Regions that actively participate in planning and implementing the regional (intraregional) policy play an important role. Local authorities, which are the biggest beneficiaries of EU funds in Poland, are of decisive importance here.

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## **EUROPEJSKA POLITYKA REGIONALNA I JEJ IMPLEMENTACJA W POLSCE W LATACH 2007-2013**

### ***Streszczenie:***

Artykuł ten ma na celu przedyskutowanie celów oraz instrumentów europejskiej polityki regionalnej, z naciskiem na okres programowania 2007-2013. Programowanie stanowi szczególną cechę implementacji polityki Wspólnoty, dlatego też niniejsze opracowanie zawiera również krótki przegląd programowania tejże polityki w Polsce. Przedstawiono główne informacje wskazujące na ewolucję europejskiej polityki regionalnej. Dużą uwagę zwrócono na programowanie w sferze politycznej (zadania i obszary interwencji finansowej), a zwłaszcza na programowanie budżetowe. Zaprezentowano podstawowe cele polityki solidarności w Polsce. Podano instrumenty programowania, wdrażane zgodnie z głównym dokumentem, charakteryzującym kierunki wsparcia finansowego z UE. Dokument ten, zatytułowany Narodowe Strategiczne Ramy Odniesienia 2007-2013 (NSRO), zawiera diagnozę sytuacji społeczno-ekonomicznej kraju oraz zamierzenia regionów dotyczące rozwoju na zasadzie solidarności. NSRO uwzględnia również zasoby finansowe w postaci programów operacyjnych, a także opis realizacji systemu.

**Słowa kluczowe:** polityka regionalna, instrumenty finansowe polityki regionalnej, fundusze strukturalne, fundusz solidarnościowy, program operacyjny