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## **Subregion Jelenia Góra as an Example of Border Region - Case Study Report**

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## ***Subregion Jelenia Góra as an Example of Border Region - Case Study Report***<sup>1</sup>

### **Abstract**

Jelenia Góra subregion (NUTS 3) is part of the Dolnośląskie Region and borders on Germany (Saxony) and Czech Republic. Subregion underwent lengthy and difficult restructuring with serious social aftermaths. Jelenia Góra is in relatively best shape (together with border town of Zgorzelec), but the region as a whole is among the least developed in South-Western Poland. It still has significantly developed industrial sector but it is low-tech producing. The region is neither innovative nor competitive, suffers from high unemployment rate, has underdeveloped high schools and R&D institutions. Despite all appreciated support from the EU and national budget, its impact is felt mainly in the quality of live, and not in the desirable structural change of the economy and its modernisation, increased innovation and competitiveness (except for some tourist initiatives). Subregional and local authorities turned out to be unable to use external support to restructure and modernize the economy.

### **Content**

1. Introduction .....	2
2. Trajectories of economic development and structural change, social cohesion .....	5
3. Development factors .....	12
3A. External context of development: trade and FDI .....	13
3B. Endogenous growth factors: innovation and entrepreneurship .....	15
4. Governance and local/regional development policies .....	16
5. External interventions: national policies and EU cohesion policy .....	19
6. Future prospects .....	21
7. Conclusion .....	22
LIST OF INTERVIEWED INSTITUTIONS: .....	25
REFERENCES .....	25

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#### Abbreviations:

CAP – Common Agricultural Policy

CBC – cross border cooperation

CP – Cohesion policy

CZSO – statistical office of the Czech Republic (equivalent of CSO, central statistical office)

Desk research – analysis of materials (publications, reports, documents)

EFRD – European Fund for Regional Development

ESF – European Social Fund

EU - European Union

FDI - foreign direct investments

FTE – full-time equivalents

GDP – gross domestic product

GVA – Gross Value Added

IDI – in-depth interview

LAU – local administrative unit (LAU 1 – counties [*powiaty*]; LAU 2 – municipalities [*gminy*])

MLG – Multi-level Governance

NPM – New Public Management

NUTS – Nomenclature of Territorial Units for Statistics 0, 1, 2, 3), where NUTS 3 is a subregion, and NUTS 2 is a region

R&D - research and development

ROP – Regional Operational Programme

## 1. Introduction

This report was prepared on the basis of information from a number of sources obtained using varied tools, such as desk research, statistics and IDIs. The aim was to combine quantitative and qualitative data to describe the situation more accurately and better explain the observable phenomena. The basis sources of statistical data included Eurostat and GUS – the Polish Central Statistical Office. Qualitative information comes mainly from nine in-depth interviews (IDIs), conducted in September 2013 with experts and practitioners in the specific areas in the subregion (NUTS 3) and in the regional capital, Wrocław. All other information sources are referenced in the text.

### 1.1. Location and history

The Jelenia Góra subregion occupies an area of 5600 km<sup>2</sup> and forms a part of the Dolnośląskie (Upper Silesia) Voivodship (*województwo*) situated in south-western Poland (Figure 1). In 2012, it had a population of 579,635. The subregion borders on the Federal Republic of Germany in the west and on the Czech Republic in the south. The southern part of the subregion is occupied by mountains, including the highest range of the Sudeten (*Sudety*), the Karkonosze (*Krkonoše*). The subregion's main city is its capital, Jelenia Góra, with a population of approximately 83,000. Other major cities include the seats of counties (*powiat*): Bolesławiec (39,000), Zgorzelec (31,000), Jawor (24,000), Lubań (22,000), Kamienna Góra (20,000) and Złotoryja (16,000). The international road Warsaw-Prague (E365) intersects the Jelenia Góra subregion, while the A4 motorway (Kraków-Bolesławiec-Zgorzelec-Drezno) runs in its northern part (near Bolesławiec) so as the A18 section connecting the subregion with Berlin. The future S3 expressway (planned to be upgraded to the expressway standard in the coming years) leads from the Baltic Sea coast to the Czech Republic along the subregion's eastern parts, via Jawor and Kamienna Góra. The central and eastern parts of the subregion do not have good transport connections with the regional capital, Wrocław, nor with other metropolises in the area.

In the Middle Ages (until the 12<sup>th</sup> century), the subregion formed a part of the Polish monarchy, and later, in the period when the Polish state was divided into autonomous principalities, it was an object of rivalry between Poland, Bohemia and Germany, ultimately won by Bohemia. Later, it was incorporated together with Bohemia into the Austrian Empire and, after the Silesian Wars in the mid-18<sup>th</sup> century, into Prussia (and then Germany). In 1945, following the Allies' decision, the subregion became part of Poland together with Upper Silesia; the German-speaking population was expelled and replaced by Polish population (including people resettled from the territory which was earlier Eastern Poland). As a result of these post-War events, the once strong ties between Berlin and Dresden were considerably weakened, not to be re-established until 1989, and notably until 2004, the year of Poland's EU accession. The sealed borders, isolation and hostile propaganda, pursued by the Czechoslovakian authorities particularly from the beginning of the "Solidarity" era in Poland (1980) practically until the systemic transition of 1989, were all factors that effectively crippled any existing cross-border ties and linkages.

**Figure 1. The Jelenia Góra subregion in the Dolnośląskie Voivodship**



(<http://goo.gl/juhZEi> accessed on 11.12.2013)

## 1.2. Basic socio-economic characteristics

As mentioned above, the subregion has a population of ca. 580,000. Its capital, Jelenia Góra, has about 83,000 residents, and over 100,000 if the functional ties are considered. In the last decade, the number of the population both in the city and in the subregion has decreased, due, first, to the migratory outflow, which, at least according to the official statistics<sup>2</sup>, is rather insignificant, and, second, to negative demographic growth. Population density is 103 persons per 1 km<sup>2</sup>, which is much

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<sup>2</sup>The official statistics much underrate the volume of foreign migration (by as much as several times, according to some sources).

lower than the national (122 persons per 1 km<sup>2</sup>) and regional average (146 in 2011)(US Wrocław 2012b). The employment in the subregion totalled 194,000. Its level of economic development is rather low, with per capita income of only EUR 7,500 in 2010, i.e. 80% of the national average. This is largely due to a considerable fall in the role of financial service and real estate activities (representing a 6.3% reduction in GVA creation in 1999-2010) and a dwindling share of agriculture (which shrank by 1.7pp in the analysed period). Quite importantly, the diminishing significance of agriculture was accompanied by a relatively slight reduction in employment in this sector (down to 16,800 in 2008). Employment gradually increased in trade, tourism, transport and industry and was relatively stable in public services (generating 19.4% GVA, with employment at a level of 43,500). An increased role of employment in trade and tourism is a consequence of the development of the tourist function in the subregion (including cross-border tourism and shopping tourism). Nonetheless, the gross salary in the industrial sector is lower than the Polish average and, worse still, in the period 2007-2011 it fell from 87.3% to 83.6% of the national average. The subregion's internal disparities should also be noted, with a few positive exceptions, namely Jelenia Góra, the Zgorzelec and Bolesławiec areas and the so-called Turoszów Sack where lignite is mined for the local power plant.

In terms of educational attainment, with the share of the population with tertiary education at a level of 13%, in 2012 the subregion lagged behind both the national (24.5%) and the regional (23.7%) average. The percentage of university students per 1000 population is much lower than the national average (8.5 compared to 45.1 in 2011), a result of the absence of strong academic centres and the resultant outflow of many young people who leave to study outside of the subregion, mainly in the nearby Wrocław.

Jelenia Góra is the poorest subregion of the Dolnośląskie Voivodship (SRWD 2013: 14) and, as mentioned above, one characterised by wide internal disparities.

### **1.3. Administrative and governance context**

Poland's subregions (NUTS3) have been established solely for statistical reasons, although until 1998 voivodships (*województwa*) operated at the similar level, but had rather limited competencies. Following the 1998 reform of the territorial organisation of the state, the municipal level of local governance (LAU2), which was created in 1990, was expanded by:

- Self-governing and governmental voivodships at the NUTS2 level, whose competencies include e.g. strategic planning and economic development (also comprising the Regional Operational Programmes co-funded from the EU), regional roads and higher education;
- Self-governing counties (*powiat*) (LAU1), whose areas of responsibility include supra-municipal services related to education and healthcare, construction and maintenance of county roads and labour market policies.

Municipalities, or *gminy* (LAU2) form the essential level of territorial self-governance in Poland, which is reflected amongst others in their share in the revenues of local government units, i.e. 78.7% (including 52.9% of municipal own revenues), compared to 12.7% for counties (29.4%), and 8.6% for voivodships (49.1%). The main responsibilities of the municipality include the development and maintenance of the technical and social infrastructure, provision of public services (education, health care, social assistance), as well as spatial planning.

The Jelenia Góra subregion comprises nine counties/districts (Bolesławiec, Jawor, Jelenia Góra, Kamienna Góra, Lubań, Lwówek Śląski, Zgorzelec, Złotoryja and Jelenia Góra as a city with county rights), 51 municipalities (14 urban, 14 urban-rural, and 23 rural) and 28 cities.

One unique feature of the territorial organisation system in Poland is the full autonomy of each tier, which means that there is no hierarchy (within the limits of the law). Therefore, multi-level management and governance is considerably restricted, in many cases reduced only to consultations. As in many other countries, membership of employer organisations is not obligatory but is typically based on voluntary participation in chambers of commerce or chambers of crafts. Non-governmental organisations are relatively well-developed and often cooperate with local governments. Large international NGOs such as Greenpeace, WWF, Amnesty International play an important role, so as major Polish NGOs such as the Batory Foundation or charity organisations, which operate professionally also on the international arena.

## **2. Trajectories of economic development and structural change, social cohesion**

### **2.1. Economic performance of the region**

In the recent years, the Dolnośląskie Voivodship recorded a significant progress and was ranked the second in the country (after Mazowieckie, and before Śląskie) in terms of the development level and income dynamics. The crisis in the eurozone only slowed down the pace of development. In case of the Jelenia Góra subregion, similarly to the country at large, in the 2005-2009 period it recorded a considerable increase in the per capita income, from EUR 5174 up to EUR 7453<sup>3</sup>, and in relative terms the subregional income slightly decreased compared to the national average (from 81% to 80%). Given the fact that in the preceding period (2000-2005) it fell from 89% to 81%, it should be concluded that the recent years brought a stabilisation of the subregion's development, probably due to the completion of the main phase of the economic restructuring. The subregion is highly diversified internally in terms of the economic activity of the residents: in 2009, the largest number of businesses per 10,000 population could be found in the municipalities which are popular tourist destinations: Karpacz (2089), and Szklarska Poręba (1910). Generally speaking, microbusinesses definitely prevail in the subregion (Zaleski et al. 2011: 32 ff.). Similarly, there is no large enterprise in the subregion which would be capable of conducting independent R&D activity.

In 2011, there were 20.8 business entities with foreign shareholdings per 10,000 residents (compared to 19.6 in 2007), 58 commercial companies (51.7 in 2007) and 708.1 sole traders, i.e. individuals conducting business activity (674.8 in 2007). Even if the latter two figures are slightly below the national average,<sup>4</sup> the subregion at large (just as the entire Dolnośląskie region) is notable for its higher number of entities with foreign shareholdings (20,800 and 19,600, respectively, compared to the national average of 18.4 in 2011 and 16,100 in 2007). In 2011, there were 35.9% commercial companies in the subregion, compared to the national average of 22.3%. The proximity of the border with Germany certainly played a role in this respect, although the experts agree that no large international corporations can as yet have been located in the subregion. Among the region's largest companies, one of the very few which were successfully privatised (with the involvement of

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<sup>3</sup>In 1995, it was EUR 2662 and represented 96% of the national average.

<sup>4</sup>In 2011, in Poland there were 82.5 commercial law companies per 10,000 population (compared to 66.5 in 2007), and the number of individuals conducting business activity (sole traders) – 745.1 (compared to 731.4 in 2007).

Canadian capital) in the 1990s is Jelfa, a pharmaceutical company which until recently employed over 500 staff.

In 2011, the value of exports of the companies in the Jelenia Góra subregion totalled EUR 1.174 million, with Germany being the greatest recipient of the exported goods, although its share is gradually decreasing (Komornicki 2012).

## **2.2. Heritage of former socialist system**

The question of the residue from the former political system is difficult to analyse and may pertain to two basic dimensions, namely the ownership structure in the economy and the socio-cultural sphere. Basically, the process of ownership transformation in the subregion in the economic terms can be regarded as completed. Despite many restructuring attempts, state-owned enterprises (SOEs) failed to find a successful *modus operandi* in the free market and went bankrupt, to be replaced by new business entities, mostly domestic and also foreign, although on a smaller scale. The remnants of the former system include old industrial sites, currently at various stages of depreciation or under repair aimed to adapt them to the needs of typically smaller companies, less frequently institutions (such as higher education institutions). In the opinion of the interviewees (IDIs), the former sector of the economy with roots dating back to former era collapsed first and foremost due to obsolete technologies, excessive employment and management errors, as well as the absence of proper oversight by the owner. Other residues of the past era include the neglected municipal economy, depreciation of buildings (peeling off plaster, outdated installations, lack of funds for repairs). This is also as a token of criticism addressed to the contemporary local authorities, which however could be excused due to high restructuring costs and budgetary restraints.

At the same time, it is difficult to evaluate the socio-cultural characteristics. The experts claimed that the subregional community is neither fully integrated nor has a deep sense of roots and therefore does not manifest sufficient concern or care for the common land and assets, which in many cases is still municipally held. On the other hand, new phenomena that could help strengthen the sense of community bonds and pride in the subregion have been noticeable for several years now (e.g. the Palace and Garden Valley in the Jelenia Góra Basin, in the sphere of tourism and culture). It has to be borne in mind, though, that external investors (from outside of the region) are behind most of these initiatives, whereas the local and regional experts look above all at the living conditions. Nevertheless, these experts indicate that the overall sense of well-being of the residents has improved owing to the upgraded standards of living and the opening of the state borders. It seems that, in addition to a low level of social capital, a sense of mental confinement to the old development paradigm, dating back to the industrial era, can also be added to the heritage of the past system in the cultural sphere. This is the most likely reason for the opinion commonly expressed by the interviewees that underdeveloped infrastructure, particularly transport infrastructure, is the main barrier hindering the subregion's development. In an era of post-industrial, knowledge-based economy and information society, it is difficult to find another explanation for this rift between facts and beliefs. The issue of infrastructure is treated extremely seriously by experts (perhaps due to the comparisons with modern infrastructure of the neighbouring East Germany). Of 16 challenges identified in the Regional Report (*Raport Regionalny* 2011), the first four were those with distinctly

infrastructural characteristics.<sup>5</sup> Each of them is definitely vital, but will the importance attached to them prove right in the strategic perspective?

### 2.3. Direction of structural changes in the region

Significant changes could be observed in the economic structure of the subregion in the recent years (1999–2010). First and foremost, the GVA generated in the primary sector (agriculture, fishery) fell in the subregion by as much as 1.7pp (from 4.7% to 3.0%). This was a change that typically characterised the entire regional and national economy, although here visible on a much lesser scale than in Eastern Poland. The steady but slow fall of GVA in the financial service and real estate activity sectors proved relatively much higher (by 6.3pp; from 18.6% to 12.3%). This is probably due to the completion of the most intensive stage of economic restructuring and, to some extent, to a fall in wages observable recently, and the resultant dwindling housing market activity (particularly in the market for new flats). In parallel, the increased GVA (and productivity) figures could be observed in industry (by 3.9pp, from 28.9% to 32.8%), which, as a trend, is a process characterising the Polish economy at large. The slightly less dynamic rate of growth can be seen in trade, hotel and catering services, and transport (by 3.2pp, from 24.7% to 25.8%), and a slight increase - in the construction sector (by 0.7pp, to 7.1%) and public services (by 0.5 pp, to 19.4% in 2010).

These changes are also reflected in the employment structure: in 1999–2008, employment fell in the primary sector (agriculture and fishery), from 20,000 to 16,800 employed. In the remaining (non-agricultural) sectors, the number of jobs slightly fluctuated; it fell in the public services sector, from 44,700 to 43,500 (by 1200); and increased – in trade, hotel and catering services, and transport, from 39,000 to 44,100 (by 5100), in industry, by 1000 (from 61,400 to 62,400) and in construction, by 700 (from 13,000 to 13,700). Employment did not change only in the financial service and real estate activities, and totalled 13,500 in 1999 and in 2008. The slight fall in the employment in public services can nevertheless be viewed as proof that the situation has stabilised.

The most interesting directions of change also include a rapid development of high-quality tourist services, most of which are on a par with those offered at major European resorts. This is probably only the beginning of the tourist services sector's opening to the world, but a very promising one.

### 2.4. Impact of external factors upon regional development

Two major groups of external factors affecting the development of the Jelenia Góra subregion in the recent years can be identified.

The first is associated with the **business cycle** and its influence on the Eastern European countries and regions, as it has considerably slowed down the development of the Dolnośląskie Voivodship and is largely connected with the progress of the restructuring processes in the Jelenia Góra subregion. Business-cycle factors have also affected the neighbouring subregions on the Czech side of the border and in East Germany, crippling the development opportunities and stimuli associated with cross-border cooperation and exchanges. In particular, the similarities between the restructuring processes on the Polish and Czech sides of the border (which commenced and ended later than in

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<sup>5</sup>1. Flood control and water management; 2. Harmonised development of the Wrocław agglomeration (with emphasis on road congestion and transit traffic); 3. Transport infrastructure, and 4. Public transport (Zaleski et al., 2011: 116 ff.).



the territory of the former German Democratic Republic) also resulted in reducing the number of Polish staff working in the nearby industrial plants located on the Czech side of the border as many of these plants were closed down here, just as on the Polish side of the border. The Kamienna Góra Special Economic Zone, with many subzones across the subregion, served as a tool for fostering economic growth in the subregion; the zone, however, failed to attract big economic operators or very innovative companies from abroad. Therefore, it could not fully compensate for the lost jobs – this was done mainly due to the development of small and medium-sized enterprises (SMEs) and migration abroad. The relatively acute sense of being threatened with unemployment and lack of development prospects locally fuelled concentration on the local problems on both sides of the border despite the opportunities that the elimination of state borders and the four freedoms of the EU internal market (free flow of people, goods, capital and services) had opened up for the two countries. Shopping tourism played a role in closing the distance between the residents of the border areas and in facilitating initial mutual contacts rather than in serving as a significant source of income for either side.

The funds made available under the EU policies, especially the Cohesion policy, represented a crucial category of financial factors. These funds form an increasingly vital part of the local budgets which can be spent on structural projects. It is commonly believed that they are essential for stimulating growth in the subregion, particularly owing to structural investments which most of the interviewees regard as vital development drivers. Only a few of the interviewees pointed out that some infrastructure projects can have a negative impact on the budgetary situation of the local authorities and restrict possibilities for further growth through local government investment projects due e.g. to increased burdens associated with the maintenance costs of the newly built infrastructure and the threat of facing the consequences of breaching the cautionary budget spending thresholds.<sup>6</sup>

Other factors associated with progress in European integration include the opening of labour markets in other countries and expanding opportunities for business activity. To date, the emphasis has been placed on highly developed countries and regions, but interest in developing cooperation with the subregion's neighbouring regions is also gradually increasing.

To sum up, the phase of the restructuring of the subregional economy that is coming to an end has been somewhat offset by new investment projects and a slight increase of employment in the developing sectors (particularly in the city of Jelenia Góra). Also, participating in the benefits derived from the development of Poland at large and of the Dolnośląskie Voivodship, despite its slow pace, helped contain the relative worsening of the economic situation measured in GDP. Still, the subregional economy cannot be regarded as innovative or competitive despite the increased exports, so much emphasised by the interviewees (which as a rule are low-tech).<sup>7</sup> Some positive phenomena in the development of the whole region (and the subregion) were also highlighted by the Statistical Office in Wrocław (US Wrocław 2012). In general terms, however, the situation of the subregion is rather complicated and has some downsides in addition to positive aspects. The pool of human

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<sup>6</sup> Reaching the second threshold of the ratio between public debt and local government revenues (55%) restricts the possibility to run up further debt, and passing the third threshold(60%) means that the budgetary revenues and expenditure must be brought to full balance. These solutions are stipulated by the Constitution of the Republic of Poland and the Public Finance Act (amended in August 2013, which in 2013 suspended the first cautionary threshold and the so-called provisional rule).

<sup>7</sup>The Dolnośląskie Voivodship (with its enterprises) is among the most innovative Polish regions, but still considerably below the European average, and its high position is due mainly to Wrocław (cf. PARP 2010).

resources and the pro-export capacity of the local economy are usually valued more highly than the subregion's infrastructural accessibility and potential for innovation.

### **2.5. How the situation on regional labour market does affect social cohesion?**

In terms of unemployment (both registered and LFS-indicated), the situation in the subregion can be regarded as relatively stable. After the initial post-accession (and business-cycle conditioned) effect of a fast unemployment decrease, unemployment increased in many EU countries as a result of the economic crisis, and fell in the region to the average national level (although in the subregion it still remains higher). The situation in the city of Jelenia Góra is better than in the remaining, less urbanised counties of the subregion. In December 2012, when the unemployment rate was 13.4% in Poland and 13.5% in the Dolnośląskie region, it was 18.4% in the Jelenia Góra subregion, and in its constituent counties, respectively: in the city-county of Jelenia Góra - 10.1% (the lowest), in the county of Bolesławiec - 13.9%, Zgorzelec- 14.4%, and in the remaining six counties it ranged from 20.8% to 27.5% (Złotoryja county) (GUS 2013). It should be borne in mind that, just as in other regions of the country, hidden unemployment (in agriculture) remains a problem,<sup>8</sup> although a much smaller one here than e.g. in eastern Poland. Despite the observable stabilisation, unemployment still remains a serious social and economic problem for many of the counties in the subregion.

The slight increase of the unemployment rate recently did not significantly affect social policy expenditure in the subregion. We must remember that the funds available for various forms of social assistance, and particularly its active forms associated with labour market development, increased considerably after Poland's EU accession in 2004, which helped develop a system that has better resources for intervention in this sphere. Likewise, the dynamically increased financial support offered to farmers under the Common Agricultural Policy helped reduce the significant threat of poverty and exclusion in this social group owing to a substantial growth of income, financed by the European taxpayer. Generally speaking, an increase of incomes, observable for nearly twenty five years in Poland, failed to eliminate relative poverty but did reduce the extent of the problem in absolute terms. Social welfare expenditure in the subregion totalled PLN 321.1 million in 2011. The average level of employment in public services in the subregion (22.4% in 2008) corroborates the hypothesis that, statistically, the problem of poverty is not much worse than the national average.

### **2.6. How the accessibility of different public services (health care, child care, education and training, labour market and social) can be assessed?**

Access to public services in the Jelenia Góra subregion is not much below the national average, which also means that similar problems can be encountered here (cf. Table 1). Just as elsewhere across the country outside of highly urbanised areas and those incorporated by the largest agglomerations, despite considerable changes for the better, for a variety of reasons access to public services in the rural areas is worse than that in urban areas. Transport accessibility is one of many such barriers, but not the major one.

Undoubtedly, the number of physicians per 1000 population has fallen slightly in the recent years, but on the other hand medical practitioners, owing to considerable investments and expenditure in

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<sup>8</sup> The pool of labour in this sector still remains surplus to requirements (and, under the Polish law, a person who lives in a farmer's household and is not employed anywhere else is a farmer and does not fall under the Polish definition of an unemployed person).

the health sector, have better and better equipment at their disposal and, thanks to changes in medical training and increasing participation in international scientific life, they have upgraded their professional competences. The number of hospital beds in the subregion has also considerably increased, while long waiting times for specialised medical visits is a problem acutely felt nationwide, not only in the subregion.

As regards educational services, in the recent years there has been a fast increase in the percentage of children aged 3-5 attending kindergartens, although mostly in urbanised areas. Education at primary and secondary level is around the national average, while the most recent PISA study, in which the Polish 15-year-old students were ranked in the top of the table, demonstrates that the system is performing better and better, which is certainly reflected at the level of the Jelenia Góra subregion. It should be emphasised that the accessibility of various types of training has significantly increased thanks to the European Social Fund. Although there have been no studies on the quality or usefulness of such training programmes, their accessibility alone (including the educational, training, language offer) is a highly appreciated change.<sup>9</sup>

As mentioned above, in terms of tertiary education the subregion performs worse than better-developed regions, particularly those with large agglomerations. The number of university students per 1000 population is much lower than the national average and decreasing, which means that the higher education institutions in the subregion are gradually losing their status in favour of stronger academic centres. Jelenia Góra, the only major academic centre in the subregion, at present it cannot successfully compete with universities and colleges located in the nearby Wrocław. The predominance of academic education in the sphere of humanities and social sciences, where the costs of instruction are lower, is a weakness of most cities the size of Jelenia Góra, as a result of which young people with talents in other spheres (such as sciences or specialised fields of study) are forced to look for places to study outside of the region.

The societal situation (incomes, social services) will soon be strongly affected by the growing number of the post-working age population. The 0.5 pp increase recorded in 2007-2011 is merely a prediction of a longer trend, for which the subregional community should be better and better prepared. This issue is emphasised by the respondents who carefully observe the demographic changes in the context of migration, less visible in statistics but acutely felt in the subregion. The reason for this is very simple: the inability of the subregional economy (with the exception of the few major centres) to create new jobs, particularly for young people, results in their economic migration, both within Poland and abroad, first for shorter and then for longer periods. It is mainly the young who face this temptation: secondary school-leavers and university graduates who, according to the EUROPE 2020 strategy, should be covered by special forms of activity by labour offices and other labour market institutions. Another problem which is typical not only of the analysed subregion is inheriting the social status due to the acquired, permanent inability to take up employment. Similarly to young people, also this group of the welfare services clientele should be comprised by targeted, intensive and personalised methods aimed to facilitate their labour market entry (or re-entry). There can be little doubt that one of the prerequisites for counteracting unemployment and increasing labour market activity is first and foremost fostering the economic growth in the subregion and continued restructuring aimed to create new jobs and sources of income that require higher qualifications.

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<sup>9</sup>More highly than the labour market projects, although some improvement in quality can be observed in this sphere, too.

**Table 1. Selected social sphere indicators in the Jelenia Góra subregion (as % of the national average in brackets)**

Indicator	2007	2011
Number of physicians per 10,000 population	15.3 (74.6%)	15.2 (77.8%)
Number of residents per 1 hospital bed	na	168 (78.8%)
Share of children in kindergartens in the 3-5 years age group	42.5 (89.9%)	64.4 (93.1%)
Number of students per 1000 population	12.6 (25.0%)	8.5 (18.8%)
Share of post-working age population	15.6 (97.6%)	17.1 (98.8%)
Registered unemployment rate	15.4	17.5

*Source: prepared by the author based on GUS (Central Statistical Office) BDL data.*

All the features presented in the table 1 are below national average except for unemployment rate which is higher (both in 2007 and 2011 by ca 4-5 pp).

## **2.7. What are the sources and scale of social problems (poverty, inequalities, labour market exclusion)?**

The sources of major social problems, just as in other regions, should be sought in many spheres. The economic dimension includes high unemployment in many counties and, in general terms, the fact that the economy with a low level of innovation and competitiveness is not capable of creating a sufficient number of needed new, qualified jobs, at least for the local school-leavers and graduates. This entails lower incomes, lower salaries, and recently even a fall in wages, in a situation of growing inflation. There are also social and cultural consequences to take into account, such as the lack of professional advancement patterns or standards of good conduct and inheriting of the social status.

The interviewees also pointed out that the collapse of former state-owned enterprises locally led to a considerable increase of unemployment and poverty (e.g. Mystakowice, Kowary and other places).

In the demographic sphere, population ageing is clearly visible, so as a gradual depopulation of some areas, mostly peripheral ones, lying far from the cities and major tourist centres. Therefore, we can also speak about the spatial and social dimensions of problems in the social sphere.

One other factor that should be taken into account is the diminishing capacity of the pension system, which has not been designed to accommodate the dynamic ageing of the society. This is not a problem affecting only the subregion, but the prospect of having the last salary replaced by a low pension or disability pension (which according to some could be as little as 30% in the near future), is rather depressing and poses a daunting challenge for the authorities.

There are other significant sources of inequality and exclusion, such as loss of health or an unhealthy way of life, stemming from the inherited cultural patterns. Lack of employment, lack of access to active forms of leisure encourage various forms of social exclusion. The problem of poverty strongly affects less educated families with many children and living in rural areas. In spatial terms, Poland (and therefore also the Jelenia Góra subregion) is unique in this regard as here, unlike in other countries, poverty tends to be concentrated in rural areas. Another specific feature is the fact that poverty above all affects children (Tarkowska 2011). Contemporarily, the digital divide is a special form of social exclusion, a consequence of the lack of motivation to use ICTs in various ways (or to

use ICTs at all) in personal life (cf. Czapiński, Panek 2013). In an era of information society, this type of exclusion may exacerbate the effects of the other types (Kozak 2008).

### 3. Development factors

#### 3.1. What factors have played key role in development of the region in recent years?

It is difficult to identify only one factor underpinning the development of the Jelenia Góra subregion in the recent years. The border factor should be taken into consideration as it involves a considerable risk of floods in the cross-border area on the one hand, and on the other it determines the pro-Western orientation of many residents and companies in the subregion (these leanings are much stronger in the western, German direction than in the southern, Czech direction). Germany is perceived by many as a cultural, organisational and infrastructural model to be compared against. At the same time, cross-border cooperation is varied in character: German partners look for innovative projects and avoid infrastructure projects, whereas the latter attract, as yet, the greatest interest on both Polish and Czech sides of the border. This cooperation is important as it helps resolve a number of problems that are commonly regarded as essential (flood control, development of infrastructure, etc.).

Economic restructuring definitely had an impact on the region's development. In the opinion of many respondents, the privatisation processes of former state-owned enterprises were not always exemplary, which in some cases led to the collapse of even modern enterprises (with the exception of Polfa Jelenia Góra, currently operating as Jelfa), and nearly always meant a rapid increase of unemployment and expansion of poverty pockets. The initial deindustrialisation of the subregion soon gave way to its reindustrialisation, which was made possible thanks to the local capital and an influx of capital from outside of the region (often foreign, but as a rule small-scale capital). Many believe that the influx of FDIs has been, and still is, vital for the development of the region. Today, SMEs play a crucial economic role in the subregion, even though state institutions and higher education institutions still remain the largest employers. In the majority of cases, the local companies cooperate with Polish companies, mostly those located far away from the border, and in case of cooperation with German companies, they usually trade with firms situated in strong economic centres, which are not found near the border (Raczyk et al. 2012). This explains to some extent why cross-border economic cooperation is rather poorly developed: companies located near the border as a rule are not very modern and have little to offer; at the same time, they tend to view one another as competitors.

Other significant factors fostering development include the development of tourism, mainly cultural, quality tourism based on the high quality of services and accommodation in often historic residences. This includes the dynamically developing active tourism (particularly ski tourism), but also health resort tourism, which increasingly takes the form of spa tourism. The development of tourism in the subregion involves not only the introduction of new forms of tourist activity and reintroduction of tourist activities popular before 1939, but also restoring the role that health resorts played in the past. Tourism economy is developing rapidly not only in terms of quantity but mainly quality, in an attempt to satisfy the growing expectations of visitors. Among the destinations which are unique not only on the subregional but also the national and European scale is the complex of historic residences operating under the common name of the Palaces and Gardens Valley) which cooperate as part of one foundation (in Polish: *Dolina Pałaców i Ogrodów Kotliny Jeleniogórskiej*). Most of these residences are top quality hotels which propose a joint cultural offer. According to the GUS BDL data,

in 2012 there were 173 hotels, guest houses and motels. Half of them (82) were hotels (including 8 four-star, 43 three-star, 16 two-star, 11 one-star and 4 currently under classification). Altogether, the hotels alone offered 12,103 beds. In 2012, the number of nights spent by foreign tourists, nearly a half of whom were from Germany, totalled 412,534. This is one of the most attractive tourist regions of Poland. It should be emphasised that the subregion offers better and better quality of tourist services and is more and more focused on attracting tourists from abroad.

### **3.2. What are the main obstacles that hinder the development process in the region?**

According to the interviewees, the main barriers that hinder the development of the Jelenia Góra subregion include above all:

- A relatively low (compared to the neighbouring subregions, cf. IBnGR 2010) attractiveness for investors from outside the region (except tourism). Again, except for tourism, this is due to a low level of innovation and competitiveness of the local enterprises and a moderate level of entrepreneurship of the local residents (except in the areas bordering directly on Germany). Other weaknesses include the absence of large cities which create high-tech jobs, a well-educated pool of labour and demand for consumer goods. What is commonly perceived as the region's main problem is the underdeveloped transport network (roads, and also the railway network which hampers access to many cities and villages of the subregion, and the region's linkages with the main growth centres in Poland and abroad). The still visible decapitalisation of infrastructure (municipal, etc.), many neglected houses and localities, remains of old industrial plants certainly do not add to the subregion's attractiveness.
- A relatively low level of the human resources. The subregion performs quite well in comparison to the national average, although, if viewed in the international context, the human resources in western Poland, even though evaluated quite highly locally and regarded as one of its strengths, are inferior in both quality and quantity to the stronger centres of the region and western Poland. Another obstructing factor is the weakness of the local higher education institutions and of the economy which is not capable of creating a sufficient number of high-tech jobs.
- In broader terms, the demographic processes taking place in the subregion can pose a barrier to development (population ageing and external migration).
- For some (particularly the central and eastern) areas of the subregion, the lack of modern transport connections with the nearby metropolises in Poland and abroad can be a problem.

## **3A. External context of development: trade and FDI**

### **3.3. Whether the regional economy is export oriented and how this is related to overall productivity and innovativeness?**

The subregional economy considerably relies on exports and is strongly oriented towards the German market, where over 50% of exports are sold (Komornicki 2012: 5 ff.). Its characteristic feature is the definite prevalence of micro and small businesses, which results in strongly dispersed exports. As mentioned above, German investors are definitely the prevalent foreign investor group in commercial law companies, Germans also play a key role as recipients of products manufactured by companies in the Jelenia Góra subregion. The Czech Republic, despite its proximity, plays a much smaller role. The share in exports is spatially varied, with the highest being recorded in Jelenia Góra (Zaleski et al. 2011: 45). In the regional dimension, the Jelenia Góra subregion is not a location of

huge foreign projects, unlike the nearby subregions of Wałbrzych, Legnica-Głogów and, above all, the Wrocław agglomeration. Innovative companies are not established in the subregion probably because they would not be able to rely on the support from strong R&D centres.<sup>10</sup>

Due to their nature, foreign investments do affect productivity to some extent, but the increase in this sphere is also due to other factors (such as technological modernisation, changes in the employment structure or demographic changes). On the other hand, there is little evidence to confirm the impact of exports and FDIs on innovation, which is low in the subregion. There are no strong R&D centres in the subregion, no technology transfer centres or technological parks. Only two clusters with small or average development opportunities are located here.

### **3.4. Is the region (was) attractive for FDIs and what was the impact of these investments on regional economy?**

An analysis of attractiveness can only be attempted using a comparative approach. We can say that this subregion is more attractive than most subregions of Eastern Poland, but less attractive than the nearby Polish (Legnica-Głogów; Wrocław), German and Czech subregions. Some national studies classify it in the group of attractive regions (IBnGR 2010). In the period preceding our study, there had been 1200 companies with foreign shareholdings operating in the subregion, usually small and medium-sized, characterised by a low level of innovation (i.e. 20.8 companies per 10,000 population). Tourism economy is an exception in terms of qualitative changes as it offers better and better quality of services, draws on the regional strengths and reaches out to external markets, particularly in Germany.

The launch of the Small Enterprise Special Economic Zone (with a number of small subzones) was an idea intended to overcome the development impasse following the collapse of big state-owned enterprises. However, this zone is visibly losing the competition for international investors with the nearby Wałbrzych zone and, although it does have a positive impact on the local economy and employment (with over 4000 jobs, but only some of them being located in the subregion), it only represents a small fraction of the overall employment in industry in the region (about 63,000).<sup>11</sup>

In the Polish context, the subregional economy has relatively strong ties with other countries (mainly Germany), although the majority of its products are as a rule low-tech semi-products for the final customers abroad. The economic links with the Czech Republic are relatively weak, which is usually though perhaps not correctly attributed to the poor transport connections (mostly in cargo traffic). Given the border location, the subregional economy could be expected to perform better, considering that both the Czech Republic and particularly Germany represent a higher level in terms of both income and development.

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<sup>10</sup>The Karkonosze Regional Development Agency (KARR S.A.), the only such agency in the subregion, is one of the strongest development institutions locally. No local higher education institution or university branch plays any significant role in research. The branch of the Wrocław University of Technology in Cieplice has 12 faculty members with postdoctoral or higher degrees per 600 students (<http://www.jelenia-gora.pwr.wroc.pl/106168,181.dhtml>).

<sup>11</sup>The data on the Zone's website indicate that some of its areas (e.g. those in Jelenia Góra) remain unused (<http://www.ssemp.pl/dzia-also-strefy>; accessed on: 20.12.2013). In the case of SEZs, the net effect is difficult to gauge: would a given investment have been made in a given region if not for the zone and its operations?

As regards attractiveness, it should be observed that a large part of the Jelenia Góra subregion (the Sudety and the Sudety Foothills) is regarded as a problem area threatened with peripherisation (Zaleski et al. 2011: 113).

### **3B. Endogenous growth factors: innovation and entrepreneurship**

#### **3.5. How innovative is regional economy and how this is related to educational and training system and its scientific base?**

On the whole, the subregional economy is not very innovative and, in consequence, not competitive. As mentioned above, this is due to a number of factors: limited availability of high-quality human resources, lack of R&D centres and, in broader terms, strong academic centres.

R&D expenditure in the subregion is low, which should not be found surprising given the existing economic structure, the prevalence of micro and small businesses and lack of R&D institutions. In addition, there is a popular belief, widely circulated and strongly articulated in the development plans, that it is the infrastructure, and transport infrastructure in particular, that defines the attractiveness of a given region. Local innovation, measured by the number of patent applications submitted to the EPO, should be regarded as low (with 0.75 applications in the subregion, 7.5 in the city of Wrocław, and 142.9 in Poland). It should be emphasised however that these opinions are relative, based on comparisons against the local environment. In other voivodships, located further east, the situation of the subregion would be regarded as quite favourable in a number of aspects.

Altogether, we can speak of a typical problem associated with fostering or stimulating innovation in a region which until recently was regarded as peripheral. Neither the local community nor the local authorities attach much importance to this issue; there are no R&D or technology transfer centres, and the local companies mainly operate in sectors with low added value, in many cases as subcontractors. In effect, there are no stimuli to foster innovation, and they will not appear unless the issue becomes a topic of debate with meaningful participation of the local authorities, which should be strategically interested in giving a boost to innovation in the near future.

#### **3.6. How important is the sector of SMEs in the regional economy and what are the main linkages of firms?**

Owing to the relatively low development level of the subregion, in the wake of intense restructuring which ended with the bankruptcy of the majority of former state-owned enterprises, SMEs can be considered as an important component of the subregional economy. They also play a major role in the reindustrialisation of the regional economy, which, in the face of an economic downturn in many eurozone countries, seems a good solution, at least at first sight. Unfortunately, most SMEs operate in traditional branches, e.g. trade, construction, food industry, mining industry, repairs and other services, etc. The data provided above indicate that the penetration rate of businesses is generally lower than the national average, but in terms of the share of companies with foreign shareholdings, the subregion performs better than the country's average, which is closely related to the subregion's border location. About half of foreign investors originate from Germany, which offers favourable forms of internationalisation for the local economy. However, such companies with foreign shareholdings as a rule do not pursue large-scale operations.

For several years now, some major examples showing how cooperation links are formed can be observed in the tourism economy sector, which is increasingly offering top quality services targeted



at well-educated, well-off and discerning visitors (both from Poland and abroad). The most impressive progress in this field has been made thanks to SMEs, frequently set up by private investors from outside of the region. Changes in the public sector (mainly involving huge spa facilities) are occurring at a much slower pace and focus on repairs and new investments rather than on improving the quality of services.

### **3.7. Are there any clusters within the region and if yes – what are their main specialisations?**

The study has demonstrated that there exist two clusters operating, mostly or entirely, in the Jelenia Góra subregion. The first is called *Ceramika i Turystyka* [Ceramics and Tourism], has its seat in Bolesławiec and today is known as Ceramika Bolesławiecka. It brings together manufacturers and designers of the unique, traditional Bolesławiec pottery (once known as the *Bunzlauer Keramik*). The other is Grupa Kooperatywna Przedsiębiorstw MTD [Metals, Plastics and Timber Cooperative Group] which has its seat in Zgorzelec, and operates mainly in the Jelenia Góra subregion (under the abbreviated name Grupa MTD) (ECORYS 2009). Grupa MTD was established with the support from the EQUAL Community Initiative in 2007. Both these clusters were evaluated in the study as low-innovative. Ceramika Bolesławiec was believed to have good development prospects, and Grupa MTD - average development prospects (*ibid.*, p. 69 ff.). There are also some regional and supraregional cluster initiatives in the Dolnośląskie Voivodship (wind energy, ICT, medicine, etc.), but they are located outside of the subregion. There are no data about the participation of the Jelenia Góra subregion companies in these clusters. Currently, work is under way to develop instruments supporting cluster initiatives in the Dolnośląskie Voivodship. To date, there is no information about any awarded initiatives originating from the Jelenia Góra subregion.

## **4. Governance and local/regional development policies**

### **4.1. What was the outcome of regional development strategy implementation?**

In 2013, a new regional “Development strategy for the Dolnośląskie Voivodship 2020” was adopted. It is difficult to evaluate the results of the former strategy as it had not been replaced by the new one when the study was in progress, and the regional operational programme 2007-2013, formally subordinated to the strategy, and other national operational programmes implemented in the voivodship have not yet been finalised. Generally speaking, however, there are mixed opinions about the development activities conducted in the previous period. Many experts believe that the old strategy, unlike the 2013 one, was too vague, imprecise, based on wishful thinking and provided no clear framework for the implementation efforts. In particular, its weakness in relation to the Sudety Mountains and the Sudety Foothills (i.e. the major parts of the Jelenia Góra subregion) was criticised. The respondents expressed positive opinions about the new strategy, and underlined its more distinct and well-considered content which addressed the development problems of the regions. This was possible thanks to wide-scale social consultations, which, for the first time ever, also had an international dimension. Following extensive consultations and based on the applications submitted by the subregional (local) authorities, the regional authorities formulated eight strategic goals (knowledge-based economy; sustainable transport; competitiveness of enterprises; natural environment protection; availability of ICT; employment and mobility; social inclusion and quality of life; education and lifelong learning) (SRWD 2013: 35). Since nearly all local governments regarded the development of sustainable transport as a priority for growth, it can be inferred that the

implementation period of the old strategy did not provide sufficient opportunities for drawing any conclusions. As we can see, the strategic objectives are quite numerous and mainly focus on the quality of life, in an attempt to satisfy the expectations of all. Therefore, it can probably be expected that they will satisfy nobody's expectations in full.

The development strategy of the city of Jelenia Góra is formally in force until 2015, although work on its update began in 2013. The strategy set the following objectives: 1. High level of development and economic growth; 2. High level of social development; 3. Maintaining the evolution of the economy and the social sphere as part of eco-development.

These strategic objectives were translated into the following operational objectives:

1. Attracting external investments.
2. Development of businesses operating in Jelenia Góra.
3. Maintaining a high degree of diversity in the functional structure and a desirable level of the service sector in the municipal economy.
4. Achieving a high competitive position of Jelenia Góra in the investment market.
5. Utilising public property with no socially useful function.
6. Harmonising the supply and demand structure in the Jelenia Góra labour market.
7. Maintaining a low level of unemployment.
8. Development of tertiary education and science.
9. Ensuring a high level of instruction in primary and secondary education and nursery care.
10. Reducing social pathologies, their causes and consequences.
11. Improving social dialogue.
12. Modernisation and extension of internal and external technical transport infrastructure and transport services systems.
13. Extension of water supply and sewage systems.
14. Reducing development disparities between individual city districts. (Strategia 2004)

The operational objectives span nearly all areas of social life, which in itself weakens the strategic character of the document. Undoubtedly, it is peculiar for its inclusion of an investment plan whereby the national and EU funds are distributed among specific tasks (mostly infrastructural) in precisely defined locations (*ibid.* p. 97 ff.). It seems that, except for an improved primary and secondary education, none of these so ambitious goals has been attained and there are no grounds to believe that this will happen in the last two years when the strategy is in progress (unless it is updated). Just as elsewhere, tertiary education is in a crisis, unused communal property is in abundance, and infrastructure calls for huge outlays to be made on both repairs and construction. The respondents definitely emphasised better performance in the implementation of social-dimension tasks (quality of life) than economic-dimension ones, and in particular drew attention to the absence of new, modern workplaces and migration of young people from the subregion in search of work. Generally speaking, however, to quote an opinion expressed by one of the interviewees, 'in fact nothing has been achieved in full'.

A full and final assessment of the results of the strategy will only be possible when complete evaluations of programmes implemented in connection with the strategy or for the purposes of the strategy have been finalised.

#### **4.2. Has the existing governance model in the region been effective and efficient?**

In its main aspects, the evaluation of the governance model in the subregion is predominantly based on the governance model adopted in Poland, less so on the actual mode of implementation. Let us

recall that the fundamental legislative principle is the autonomy of territorial government units. This, in turn, encourages the local authorities to compete for funds and resolve their problems independently and discourages cooperation with other local governments. The low social capital of the Polish society can only reinforce this propensity to avoid cooperation. Development plans are seldom prepared in consultation with the neighbouring authorities at the relevant level (or tier), and joint projects are few and far between e.g. in the Cohesion policy practice (excluding the European Territorial Cooperation programmes where joint planning, financing, management and evaluation are the central principles<sup>12</sup>). Therefore, introduction of the Multi-Level Governance model is a difficult task in the present systemic conditions, and the need to communicate between various levels of authority dwindles as needs at the lower level are satisfied by a higher level (e.g. when an expressway is constructed or a railway modernised, both these activities being the responsibility of the central government). Apparently, increased financial autonomy due to increased outlays on regional operational programmes 2014-2020, instead of facilitating, has hampered communication between governmental institutions and the regions. A similar phenomenon, albeit on a smaller scale, can be observed at the lower levels (tiers). An example of a typical problem is the conflict between the authorities of the city-county Jelenia Góra and the rural county of Jelenia Góra, with strong functional linkages existing between the two. Both neighbouring and mutually interlinked counties have different electorates and dissimilar goals, and not always find it easy to agree their joint actions, although both sides declare their willingness to do so. Nevertheless, it is quite obvious that Jelenia Góra, which performs subregional functions, bears the costs associated with discharging such functions in the neighbouring areas, while sustaining losses associated with the outflow of the more affluent population to the suburbs, located in other counties. This strategic conflict cannot be unambiguously resolved on the basis of the applicable legislation, but, for the sake of a harmonious functioning of the neighbouring administrative units, they need to find a common solution that will satisfy both sides. The law cannot be of use here, and its main weakness is that it has created autonomous 'fiefdoms' or 'principalities' instead of effective and efficient cooperation and problem solving mechanisms as part of the state system, which is, after all, common for all.

New public management (NPM) also tackles the sphere of cooperation and partnership with individuals and organisations from outside the public sector. Initially, in the post-accession period, and in line with the worst patterns of the pre-1989 era, this partnership was reduced to pretend consultations, where the 'consultees' were not given sufficient time for a thorough evaluation or comments ('Brussels is waiting'). As time passed, this approach changed: more elements of partnership were introduced, mainly with NGOs, which more and more frequently discharged specific public tasks or projects serving the society at large (in the latter case, the European Social Fund played an essential role<sup>13</sup>). Recently, it was also manifested in the introduction of the so-called participatory budgeting, a process in which a portion of the 2014 budget was planned in line with the wishes expressed by the local community. Jelenia Góra planned to allocate PLN 150,000 (ca. 35,000 euros) for this form of decision making. This is not quite a seminal moment, but one can say that the beginning is always difficult.

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<sup>12</sup>And, since every reasonable rule can be circumvented at the selection stage of projects which have only a semblance of cross-border quality, this apparent cross-border character boils down to two separate projects being implemented on both sides of the border, but for the jointly obtained funds.

<sup>13</sup>Despite the need to pre-finance project activities from their own funds, which would pose a serious problem for some less affluent NGOs.

To sum up, the current governance system is neither fully effective nor efficient nor participatory. Nonetheless, there is a growing understanding for the need to jointly pursue certain goals. It does not seem, however, that achieving any further progress in the implementation of the NPM or MLG will be possible without curbing the autonomy of the territorial government units, at least in the sphere of planning, managing development and spatial management. And, without the introduction of some elements of modernity based on broad cooperation, the socio-economic development of the subregion is bound to encounter new, serious barriers.

#### **4.3. What was the outcome of local/regional policies in different fields?**

According to the respondents, the main achievements of the municipal policies are as follows:

- Enhanced attractiveness of tourist destinations in the subregion (revitalisation of historic buildings, particularly those located in central Jelenia Góra);
- Expanded sewage network (across the subregion);
- Improved condition of the road network (despite the lack of projects aimed to modernise the roads connecting Jelenia Góra with the main development centres).

The results achieved in the sphere of economic goals were not as highly evaluated, due to the following considerations:

- Low level of foreign investments; low number of foreign investors, despite the operation of the Kamienna Góra Special Economic Zone and available industrial sites;
- Unsatisfactory level of enterprise development;
- Low level of innovation and competitiveness of enterprises;
- Lower rank in relation to the national average.

### **5. External interventions: national policies and EU cohesion policy**

#### **5.1. Which type of policies (regional, sectoral, horizontal policies) have had the most significant impact on regional development in recent years?**

The respondents generally agree that the funds from the regional operational programme, i.e. Cohesion Policy, managed outside of the subregion, had the greatest impact on the subregion's development in the recent years. In general, it was the macroregional policy, best visible in infrastructural investments, which was aimed to improve the living standards of the local residents, and in particular - the policy financed by the ROP, where the region's residents had the greatest sense of ownership. It can be said therefore that according to the respondents, regional policy financed mainly from the European funds had the greatest impact on development. Horizontal policy – excluding environmental protection and ESF-funded activities which were nevertheless criticised for their effects – was more seldom viewed as significant. This rather unimpressive evaluation of the horizontal policies seems understandable especially in the context of regular floods affecting the region. In most cases, the equal opportunities policy was not viewed as a tool helping solve any pressing problems of the region in which infrastructural deficiencies are regarded as a major challenge. The key transport projects in the subregion were located in its northern parts (A18 and A4

motorways), and did not solve the pertinent problem of transport in the north-south direction, particularly the connection between Jelenia Góra and other development centres.

It was frequently observed that national development policies (sectoral policies) did not sufficiently take into account the needs of weaker and smaller development centres (such as the subregion and its capital, Jelenia Góra), did not support them and in effect failed to properly exploit their potential. This, in turn, results in their continued weakening and depopulation due e.g. to the lack of an airport, modern transport connections and other infrastructural amenities which, according to many interviewees, help foster economic development. The dynamic development of the national (Warsaw) or regional capital (Wrocław) takes place at the expense of smaller centres, which, in the respondents' opinion, contradicts both the Cohesion Policy and the logic of Poland's development.

### **5.2. Does the structure of external intervention (national/EU) addresses regional needs?**

As mentioned above, it is generally believed that activities which have the most positive impact on the region's development are those that are most extensively shaped by the subregional authorities, that is, the Regional Development Programme (ROP). Their overall evaluation varies from policy to policy. In most cases, the role of infrastructural investments is particularly emphasised as they improve the quality of life and promote economic development through improving transport accessibility. However, since the main transport problems of the subregion (expressways and other trunk roads) remain the responsibility of the central government (sectoral programmes) and are not among the top national priorities, many problems and barriers perceived in the field of infrastructure cannot be resolved by the subregion alone, and the funds available under the European Territorial Cooperation and the ROP are not sufficient. For this reason, the bulk of expenditure is concentrated on local infrastructure projects which have at best an indirect impact on the region (water supply systems, sewerage, local sports infrastructure, renovation of public historic monuments (mostly churches), etc. The relatively less developed and un-innovative enterprise sector benefited from the available support on a much smaller scale. Similarly, the EFS assistance in the local labour markets did not play any major role as the opening of the European labour market proved of crucial importance in this regard.

Generally, it is believed that the EU Cohesion Policy which is the main tool for public intervention, is for the most part beneficial to the region although it cannot satisfy all of its needs. The prevalent opinion is that this is due not only to the limited size of the funding but also to the policies pursued at the central and regional level, aimed first and foremost to support the development of the strongest centres nationally and regionally. This is the usual explanation for the absence of, or delay in, the implementation of large infrastructure projects, mostly in the field of transport, which are regarded as essential for the subregion's development.

### **5.3. Has the Cohesion Policy resulted more strongly in the improvement of economic potential or competitiveness, or has it rather affected social well-being?**

There can be little doubt that, just as elsewhere in Poland, the Cohesion policy intervention produced effects mainly in the form of improved quality of life across the subregion, but above all in cities and tourist centres. As a matter of course, this did not imply that there were no development effects with at least theoretical (or long-term) influence on the competitiveness of the subregional economy.

This in particular refers to:

- improving the transport system, particularly finalising the construction of the A18 and A4 motorways which connect the subregion's northern part with Germany (Dresden, Berlin) and with southern Poland (Wrocław, Katowice, Kraków), which has enhanced access to some areas of the subregion;
- provision of utilities in investment sites and offering financial support to companies, mostly small businesses, which did not necessarily help improve their competitiveness or innovation (a view taken with a pinch of salt by those implementing pro-innovation programmes across the country);
- undertaking large-scale efforts to develop the flood-control infrastructure (floods has long been a serious problem in the subregion);
- renovation of some historic monuments (mostly churches, less frequently secular buildings), renovation of downtown buildings (erroneously dubbed revitalisation), development of tourist trails, repair and redevelopment of spa parks, etc.

Unfortunately, the Cohesion policy did not contribute in any significant way to increasing the competitiveness of the subregional economy, which should not be found very surprising given the structure of the programmes implemented in Poland and the rules of their operation, which favoured infrastructure investments and improving the quality of life over innovation or competitiveness (that is, the demand rather than supply effect). The few examples (such as Bolesławiec Pottery - Zakłady Ceramiczne Bolesławiec) prove that one may find outstanding local examples of enhancing competitiveness, but they will not be based on innovation in any significant way.

## 6. Future prospects

### 6.1. What are the main opportunities and threats for the development of the region ?

In the respondents' opinion and based on the analysis of the available data, the following activities can offer major development opportunities for the Jelenia Góra subregion:

- Improving the competitiveness of the local economy owing to investment projects in the transport infrastructure;
- Development of tourist services (mostly health tourism) and non-nuisance industry;
- Improving internal and external accessibility of the subregion (and its capital in particular); upgrading transport connections with the largest development centres of Poland, Germany and the Czech Republic;
- Strengthening socio-economic contacts with Germany and particularly the Czech Republic through the development of the transport network (road and rail) and enhanced economic cooperation.

Accordingly, the major challenges include:

- Increasing depopulation due to the ageing of the society;
- Low influx of investment capital (except tourism) due to the growing competition of stronger and more easily accessible economic centres at home and abroad;

- Outflow of young and educated residents to large urban centres;
- Further weakening of the local enterprise due to the increasing peripherisation of the subregion as a result of neglected modernisation of the transport infrastructure.

## **6.2. How would you specify recommended future objectives (spheres) of national development policy?**

In view of the development of Jelenia Góra and its subregion, the following measures should be undertaken:

- Wide-ranging programme aimed to promote business-environment institutions, enhance the competitiveness of enterprises and create clusters (cooperation networks), with emphasis placed on activities which are non-nuisant for the environment and landscape,
- Supporting the development of the tourism and creative sectors and restoring the historic buildings to their original value, with special emphasis on generating tourist products (understood as tourist services, and not only repair of buildings, construction of local sports facilities or laying even more tourist trails), so as to create new, lasting jobs and sources of income,
- Enacting clear and enforceable spatial planning legislation,
- In parallel to changes promoting economic activation of the region, the educational sphere should be strengthened (including VET and lifelong learning), so that young people from the subregion would not have to leave, seeking a better future for themselves.

## **6.3 Recommended future objectives (spheres) of the EU Cohesion policy?**

As regards Jelenia Góra and its subregion, the following changes should be made in the EU policies:

- Strengthening the role of cross-border cooperation programmes through increasing their contribution to creating cross-border economic cooperation networks (not limited only to the support area),
- Strengthening of urban policies and developing networks of linkages with the functional zones and development centres to promote creation of jobs and income (with emphasis on fostering development, and not improving the quality of life),
- Increased expenditure on education and training and targeted labour market interventions—the task of the labour services, organisation and businesses should be to place the unemployed in work; their fee should be success-linked to success).

## **7. Conclusion**

### **7.1. What are the main trends in restructuring the regional economy?**

The completion of the main phase of privatisation and restructuring was followed by a period of fast reindustrialisation of the subregional economy, whereby the role of the former large state-owned enterprises was assumed by small and medium sized, un-innovative companies, often operating as subcontractors for German enterprises. More often than not, these companies are neither innovative nor competitive in any special way, which means that the better-educated or professionally qualified individuals are forced to seek work outside of the subregion.

In the recent years, the development of the industrial sector was relatively dynamic, even though the sector mainly manufactures simple products and elements, often in the subcontracting capacity. This trend is clearly connected with the growing exports from Germany and search for suppliers and manufacturers allowing for a continued expansion.

The role of agriculture and agricultural employment in the subregion is diminishing, although still remains at over 10% of the pool of labour. The slow pace of changes, here and across the country, is the result of the petrifying impact of CAP grants on the rather obsolete agrarian structure.

Another major trend has been the dynamic development of tourism economy based on the existing infrastructure (health resorts), construction of new tourism infrastructure (skiing, spa tourism, etc.) and the development of high quality cultural tourism based on the local historic sites (such as palaces and manor houses).

### **7.2. What factors of regional development were the most important (exogenous, endogenous, structural, socio-political, others)?**

Exogenous factors had a decisive impact on the subregion's development. The decisions on the not too successful restructuring (and privatisation) of large state-owned enterprises were made outside of the region. External investors, mostly Polish and German, prevail in the pool of larger-scale foreign investors. A considerable part of the subregional economy is outward oriented, to national and foreign markets (German in particular, due to the proximity of the border). Owing to the lack of big enterprise and the generally low level of innovation of the local companies, the subregional economy is not able to absorb the local labour force or sell its products on the local market. This is a structural weakness, and one that the development intervention operators have so far been unable to overcome.

There is also a social (or mental) issue which plays quite a considerable role, which is the popularity of the old development paradigm in the local community (and, unfortunately, among the local authorities), which regards infrastructure (especially transport infrastructure) as the main development driver. Fortunately, there is a growing awareness of the need to develop innovation, education, etc. However, this is still a minority view. Nevertheless, the inability to attract major foreign investors cannot be explained only by problems with the transport infrastructure (which does not mean that the quality of the transport system is satisfactory).

### **7.3. Has the productivity growth been related to the increase of the innovative capacity of the region?**

The productivity of the subregion is on the rise, but it has little to do with innovation and is rather an effect of technological modernisation, reduced employment and changes in the economic structure, including the falling employment in agriculture. Research and development activity does not play any major role in the subregion, and therefore has no major impact on the level of innovation of enterprises, many of which are little but subcontractors manufacturing simple goods and semi-products based on the designs provided by the contractor. Likewise, the demand for innovation is more than limited. In consequence, the subregional economy is mainly competing with the prices of their products (plus low costs of labour). One exception here is the growing sector of tourism, targeting wealthy and demanding European visitors, in which the quality of service is a pre-requisite of success.



#### **7.4. Are social disparities and economic growth within the region interlinked? And how? (lower level of inequalities and exclusion / higher growth? or?)**

The social disparities in the subregion are not easy to evaluate. Overall, they can be regarded as relatively stable, for a number of reasons. The loss of jobs caused by the economic restructuring and collapse of state-owned enterprises has largely been offset by employment in the grey economy and migration abroad. The proximity of the German border (and learning foreign languages, so popular in the Dolnośląskie Voivodship, particularly German) makes looking for a better-paid job (in many cases abroad) considerably easier. The availability of social services is not much below the average and is generally characterised by a consistently improving level of service. Due to the persisting dynamics of migration, which is not accurately reflected in the statistics, it can only be concluded that the relationship between social disparities and economic growth in the Jelenia Góra subregion (as in the whole of Western Poland) is strongly dependent on external, that is European, factors.

#### **7.5. What were the most successful regional/local policies?**

In this case, too, the evaluation depends on the adopted criteria.

Quality of life is the sphere that the most-praised local policies were implemented in. The condition of the environment has improved, so as the condition of flood controls, although only in some locations. Trade has expanded. The European funds helped implement many infrastructural projects (modernisation and construction): local roads, renovation of buildings, water supply and sewage systems, regulation of smaller watercourses, etc. This has probably been the area where greatest success has been achieved (municipal economy), although it should not be regarded as complete, since many areas still require major outlays and repairs (e.g. whole parts of central Jelenia Góra).

The economic situation is much worse in this regard, since the local development policies were not successful in stimulating innovation or attracting major foreign investors, at least in comparison with the nearby subregions such as Wałbrzych. Until recently, the development of the tourism sector had to do without any support from the authorities. The opening of the European labour market and elimination of customs barriers has had a major impact on the situation in the subregion.

Overall, the local subregional policies should be characterised mostly as reactive and subordinated to the political cycle.

#### **7.6. Has the external intervention been important for development of the region?**

As stated above, the situation of the subregion is a result of an interplay between a variety of factors. Initially, the thrust was on restructuring and privatisation of the state sector and redirecting the economy from its ties with the centrally-planned economies to free-market areas. Poland's accession to the European Union brought a momentous change; contrary to popular opinion, not because Poland gained access to Cohesion and Common Agricultural Policy funds but mainly due to entering the huge European market.

In the recent years, the external intervention was important for the subregion mainly because its effects are easily visible and valued by the subregional community since, as in the country at large, the Cohesion policy has financed mainly infrastructural measures aimed to enhance the quality of life. In other, 'soft' areas, such as labour market intervention, the results do not lend easily to evaluation, but overall are much less appreciated than the infrastructural ones. The CAP support was directed mainly to farmers and boosted their incomes, but it is a relatively small and diminishing

group in the subregion. Nonetheless, its results, not without the approval of the residents and the authorities alike, were focused on improving the quality of life rather than fostering growth.

To sum up, external intervention has been and still is significant and appreciated in the subregion, but its impact is mainly felt in the improved quality of life, and not in the desirable structural change of the economy and its modernisation, increased innovation and competitiveness. For many people and places, particularly tourist resorts, external support was of great importance. It can be concluded, however, that migration to larger cities in Poland and abroad, while exerting a positive influence on reducing unemployment figures, dulled the vigilance of the regional and local authorities, which for too long failed to see the weaknesses of the subregional economy and instead were concerned with the quality of life. Therefore, it can also be said that the significance of the external intervention also lies in the fact that it was not fully used by the authorities to restructure the economy.

#### **LIST OF INTERVIEWED INSTITUTIONS:**

1. Starostwo Powiatowe Jelenia Góra
2. Stowarzyszenie Wspierania Integracji z Unią Europejską, Jelenia Góra
3. Uniwersytet Ekonomiczny we Wrocławiu, Wydział Ekonomii, Zarządzania i Turystyki w Jeleniej Górze
4. Karkonoska Agencja Rozwoju Regionalnego S.A., Jelenia Góra
5. Uniwersytet Wrocławski, Zakład Zagospodarowania Przestrzennego, Instytut Geografii i Rozwoju Regionalnego
6. Urząd Marszałkowski Województwa Dolnośląskiego (called off by the interlocutor)
7. Urząd Miejski w Jeleniej Górze (called off by the staff)
8. Biuro Zarządzania Funduszami Europejskimi, Wrocław
9. Uniwersytet Wrocławski, Zakład Zagospodarowania Przestrzennego, Instytut Geografii i Rozwoju Regionalnego
10. Agencja Rozwoju Regionalnego AGROREG S.A.

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