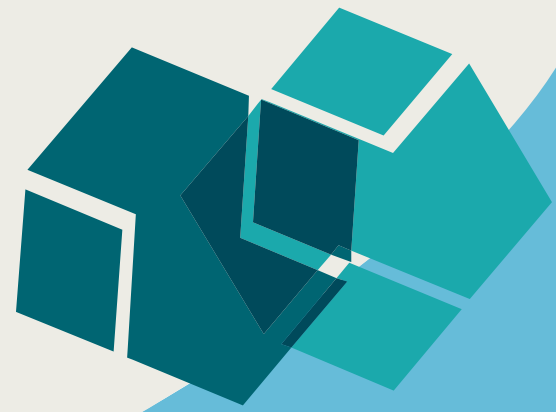




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Podkarpackie Region Case Study Report

Marek W. Kozak*

*Centre for European Regional and Local Studies (EUROREG), University of Warsaw

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Marek W. Kozak, m.kozak@uw.edu.pl
Centre for European Regional and Local Studies (EUROREG), University of Warsaw
www.euroreg.uw.edu.pl

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1 Introduction

Podkarpackie Region (NUTS 2) lies in the south-eastern corner of Poland and borders with Slovakia and Ukraine. Its area is 17846 km² (5.7 percent of Poland). It had a population in 2012 of 2,130,000 according to statistics increasing from 2,098,000 in 2005. Population density per sq km is 119 (slightly below Poland's average) (**GUS RSW 2013: 38**). The region is the least urbanised in Poland (41.3 percent of the population live in urban space against Poland's average of 60.6 percent in 2012). It is also characterised by the lowest GDP per capita in Poland (c.a. €6,200 or 26,801 PLN, while Poland's average is 39,665 PLN), that is respectively 42 percent and 62 percent of the EU average in 2012 (**ibidem: 660**).

The region is characterised by the most dispersed agrarian structure in the country (average farm size is 4.54 ha, that is about half of Poland's average) which influences the employment structure (1/3 of the working population are employed in agriculture), high hidden unemployment and the low productivity of the regional economy (**ROT 2013: 54**).

Due to population, income and unemployment levels, the region is one of the biggest beneficiaries of Cohesion policy support in Poland, received through regional and national operational programmes. In the years 2007-2013 Podkarpackie region projects were the most supported per capita from structural funds and Cohesion policy: their total value reached the level of 126.6 percent of Poland's average (the second most supported region was Warmińsko-mazurskie with 117.7 percent). The level of support is not only due to the resource allocation criteria adopted but also due to the location in the region of important transport corridors and the dual character of the regional economy which contains the 'Aviation Valley' in central area of the region with modern and innovative industries.

The report is based on results of study visits to the region in 2013 (and reports from the previous analyses within the framework of other research projects) and a number of in-depth interviews with representatives of key regional institutions. An important source of in-depth information was the report on "Subregion Przemyśl as an example of border region" - case study report (GRINCOH WP6, Task 3) by Maciej Smętkowski (**2013**). Another important and very valuable source of information were interviews with regional experts representing development authorities, development support institutions, labour offices and academia (see list at the end of this report). Publications were also used for better explaining the phenomena and process taking place in the region.

In subsequent sections, the report covers the following topics: regional analysis in the context of Europe 2020, assessment of performance 2007-2013, strategic quality assessment, analysis of administrative capacity and conclusions.

2 Regional analysis, selection of Europe 2020 heading

The main problems facing the Podkarpackie region are its dualistic regional economic structure, low growth dynamics and low level of development measured by GDP. Over the past two decades, Podkarpackie has been consistently the least developed among all 16 of Poland's NUTS 2 regions (**Table 1**). Despite some important developments over the period, the overall pattern of declining GDP performance relative to the national average suggests that barriers dominate over strengths and opportunities, calling for a radical change of development policy.

Table 1. Gross Domestic Product in Podkarpackie (1995-2011)

Category	1995*	2000	2005	2008	2011
GDP - Poland (m PLN)	337,222	774,378	983,302	1,275,432	1,528,127
GDP - Podkarpackie (m PLN)	n/a	28,635	37,564	48,404	57,028
Share of the GDP Podkarpackie in GDP Poland in %	n/a	3,70	3,82	3,80	3,73
GDP in Podkarpackie per capita	n/a	13,362	17,906	23.079	26,801
GDP in Podkarpackie per capita (Poland = 100)	n/a	70,1	69,5	69,0	67,6

Source: GNP : Ferry 2013 ; other data GUS BDL (accessed 20.04.2014 ; *Note : n/a, as Podkarpackie region was created in 1999.

Table 2. Main economic sectors in Podkarpackie and Poland along with their share in gross value added (GVA)

Category	1995	2000	2005	2008	2011
Podkarpackie	Share (%)				
Agriculture*	2.4%	2.0%	1.0%	1.0%	0.9%
Production**	47.3%	38.0%	39.0%	40.1%	41.2%
Services***	50.3%	60.0%	60.0%	58.9%	57.8%
POLAND	Share (%)				
Agriculture*	8.3%	5.0%	4.0%	3.7%	4.0%
Production**	34.7%	30.0%	30.0%	31.0%	33.6%
Services***	57.0%	65.0%	66.0%	65.3%	62.5%

Source: own elaboration based on GUS data

As is clear from **Table 2**, the economic structure of Podkarpackie differs significantly from Poland's average. In 2011, it had a larger share in GVA creation in industry and construction (by 7.6 percentage points), lower in agriculture (by 3.1 percentage points) and lower in services (by 4.7 percent). This specific structure is also reflected in **Table 3**, showing the specificities of the regional situation with high employment in the fragmented, unproductive agriculture sector and relatively high R&D spending due to the established aviation and defence sectors. As a result of these contradictory features the region has the lowest level of GDP per capita and one of the highest regional unemployment rates.

Table 3. Structural economic data for Polish regions

Region	Unemployment rate (2012 Q4)	GDP per capita, 2010, Poland =100	Employed persons as % of total (2011)			Gross Domestic Expenditure on R&D (2011, in M PLN)	Average monthly gross wages and salaries, 2011, Poland=100
			Agriculture	Industry	Services (incl. financial)		
Dolnośląskie	12.5	112.5	8.7	31.8	59.5	725.2	99
Kujawsko-pomorskie	16.9	83.9	15.7	30.1	54.2	187.3	84.5
Lubelskie	13.3	67.6	38.3	17.9	43.8	378	89.8
Lubuskie	15.4	84.5	11.1	32.1	56.8	56	84.8
Łódzkie	12.7	92.1	19.2	28.4	52.4	578.5	89.5
Małopolskie	10.5	84.9	22	24.7	53.3	1210.5	91.9
Mazowieckie	9.9	162.7	13.3	19.9	66.8	4675.6	124.3
Opolskie	13.3	79.5	16.1	31.9	52	84.2	89.7
Podkarpackie	15.7	67.3	32.7	24.8	42.5	542.2	83.4
Podlaskie	14.1	72.7	31.4	20.6	48	139.5	87.7
Pomorskie	12.4	96	8.9	29.3	61.8	625.3	98.4
Śląskie	10.1	107	6.2	36.9	56.9	1033.7	104.7
Świętokrzyskie	15.3	75.8	32.3	23.7	44	143	86.6
Warmińsko-mazurskie)	20.1	73.4	16.5	29.9	53.6	201.1	83.3
Wielkopolskie	9.2	104.1	15.7	31.8	52.5	910.1	90.6
Zachodnio-pomorskie	17.5	87	9.8	27.2	63	196.5	90.8
Poland	12.5	100.0	17.1	27.4	55.5	11686.7	100

Source: Główny Urząd Statystyczny (GUS) (2012) Statistical Yearbook of the Regions – Poland, 2012.

Common to several development issues in the region is the theme of Schumpeterian innovation, understood in a broad way, relating to products (goods, services), processes and methods (technical, organisational and marketing). Innovation is defined as a new or significantly improved solution (product or process) introduced into the activities of a company or, more widely, into the regional economy. In Podkarpackie it is of particular significance as much emphasis is placed on 'Aviation Valley' in the regional economy as a key development cluster. On the other hand, Podkarpackie as the least developed region of Poland with an economy that is performing steadily worse against other Polish regions needs to modernise its economy and strengthen its innovativeness and competitiveness. An assessment of the regional situation from this perspective produces ambiguous conclusions. While domestic expenditure on R&D (PLN 634.4 million in 2012) places the region in eighth position out of the 16 regions in Poland¹ (where the total was PLN 14352.9 million), Podkarpackie is a leader in terms of highest proportion of expenditure made by the private sector (65.4 percent compared to 32.3 percent in Poland as a whole). The region is ranked eighth in the country in terms of regional employment in R&D (7019 compared to 139653) (**GUS RSW 2013: 493-502**). Most R&D staff in the region (72.3 percent) is employed in engineering and technical sciences which is explained by the role played by the Aviation Valley cluster or more generally, the defence industry. Nevertheless, a new economic stimulus is needed in the region to create new jobs for people locked in fragmented, mostly subsistence-based farms which are unproductive and create high unemployment.

2.1 The development situation in the region

Until WW2, Podkarpackie was one of the poorest and most agricultural regions in the country. Subsequently, it experienced a process of top-down industrialisation (mainly in the Central Industrial District located in northern-central and northern towns) which after 1989 went through a difficult restructuring process and now plays an important role in regional economy. The most prominent modern industrial initiative is Aviation Valley. This has origins in the pre-WW2 period and is a cluster linking industrial enterprises, business services, logistic centres, airports and higher education establishments specialised in aviation. There are few industrial centres outside of the CID area.

The other part of the dualistic regional economy refers to rural areas, particularly in southern parts of the region. These areas are mostly mountainous and in the highest parts they are protected as important parts of the natural environment (including Bieszczadzki National Park). These areas also include depopulated mountains valleys (as a result of WW2 and dislocation of local Ruthenian population in 1945 – 1947).

The most important strengths of the region include the existence of highly qualified workers, the potential of technical universities, relatively high expenditure on R&D, the presence of special economic zones, industrial clusters, the importance of Rzeszów (the regional capital) as a strong economic and academic centre, the region's location on European transport corridors, natural resources, multi-ethnicity and cultural heritage, well developed business environment organizations and a relatively good demographic situation (**ROT 2013: 312-331**).

The most important weaknesses include: low entrepreneurship levels, weak links between business and academia, the fact that the high level education is not adjusted to the needs of the regional

¹ Podkarpackie together with Podlaskie are leader among Eastern Poland regions in this respect.

economy, weak interregional accessibility, high long term and hidden (agrarian) unemployment, unproductive agrarian structures, unsatisfactory cooperation links between business environment institutions, low accessibility and degradation of cultural heritage, high social exclusion problems, 'brain drain' through outmigration of qualified people, low accessibility to health institutions, weak transport links with Warsaw, underdeveloped digital society (infrastructure, services) (**ibidem**). In general, most of those points were confirmed by experts interviewed: despite the progress made in recent years the fundamental challenges facing the regional economy had still to be met. Important regional problems remained: poor economic performance, weak economic structure and the inability to create sufficient numbers of high-skilled jobs to halt 'brain drain' and utilise resources available. The fact that the regional economy is dualistic presents a serious challenge because any solution must incorporate two separate and sometimes conflicting policies: pro-innovation development policy focusing on the region's industrial sector and agricultural policy addressing the often petrifying agrarian structure of the region.

2.2 Cohesion policy in Podkarpackie 2007-2013

In the 2007-2013 period, Cohesion policy has supported progress in addressing some of the region's basic needs. The most visible change has been related to road transport projects, including those supported by the Infrastructure & Environment OP that invested heavily into the A4 motorway corridor, thus contributing significantly to the region's accessibility. In 2014 this corridor should finally reach the border crossing with Ukraine. However, this OP has been less successful in supporting energy infrastructure and railway infrastructure development.

Podkarpackie region had some experience of implementing development initiatives before 2007 under state budget and EU pre-accession schemes made available mainly to Mielec subregion and the regional aviation industry as it underwent restructuring and later under 2004-2006 European policies managed by the national government. However regional involvement intensified significantly after 2007 when responsibility for regional programme preparation and management was given to regional self-governments. The ROP 2007-13 became the main regional instrument to achieve development objectives as depicted in the regional development strategy which defines its main objective as *"Improving of domestic and international competitiveness of regional economy through increase of its innovativeness and efficiency, which will create conditions for increase of employment and of income and quality of life level"*. It has to be stressed that one of the regional objectives (regional accessibility) to a large extent was solved (to be finished on main A4 corridor in 2014) thanks to heavy investment from the Infrastructure and Environment OP (managed by the Ministry of Infrastructure and Development). The main objective of the 2007-2013 Podkarpackie ROP is: *"increase of domestic and international competitiveness of regional economy and improvement of the territorial accessibility of the region"* (**ROP, p. 45**). For details on priorities see Table 4 and analysis in the following chapter 3.

3 Assessment of performance

This chapter of the case study is based on the section 'Assessment of performance under specific heading' in the guidance.

3.1 Financial performance

The data available show the wide scope of objectives intended to be accomplished through the implementation of the ROP. The following objectives were identified (financial data in PLN million) (Table 4).

Table 4. Financial allocation to Podkarpackie ROP 2007-2013 priorities.

Priority	Allocation	EU	Domestic	Private	Expenditure 2012
Competitive and innovative economy	361,0	306,9	54,2	-	51.0%
Technical infrastructure	491,4	378,4	113,0	-	64.4%
Information society	80,0	68,0	12,0	-	9.3%
Environment protection and hazards prevention	200,5	170,4	30,0	-	92.9%
Public infrastructure	149,8	127,4	22,5	-	103.4%
Tourism and culture	43,6	37,1	6,5	-	89.8%
Regional cohesion	90,1	79,5	10,6	-	26.5%
TA	31,1	31,1	0,0	-	56%
Total	1447,6	1198,8	248,9	-	64.2%

Source: on the basis of ROP 2007-2013: 131.

In practice actual expenditure shows clear differentiation in the interest of beneficiaries in different priorities. According to AIR data for 2012 the most advanced financial performance was under the public infrastructure priority (103.4%), environmental protection and risk prevention (92.9%) and tourism and culture (89.8%). The least advanced priorities were information society (only 9.3%) and regional cohesion (26.5%) (ROP 2007-2013: 131). Two explanations can be given for this pattern. First is the type of demand by the main beneficiaries of the ROP, that is local governments. For local governments, public infrastructure, environmental protection (after several floods over last two decades), tourism (in practice understood as local sport facilities construction²) and culture (according to Ministry³ data no projects finished yet, though Podkarpackie AIR 2013 [p. 253] suggests some culture related projects are completed) are important in their own right but also as a mean of publicity and communication with their constituencies. Second, the general approach to the new regional policy paradigm that emphasis support of development factors is rather traditional and gives more attention to investment into infrastructure than something more innovative, network-based and intangible (such an under the headings of information society and regional cohesion).

² For more on objective replacement in practice of the Cohesion policy in Podkarpackie see: Kozak 2014.

³ Ministry of Infrastructure and Development, Mapa Dotacji, <http://www.mapa.fundusze-strukturalne.gov.pl>

3.2 Coherence with the development strategy of Podkarpackie

Strategia rozwoju województwa podkarpackiego 2007-2020 (Podkarpackie development strategy 2007-2020) was among the most comprehensive in Poland in terms of number of strategic objectives and priorities selected (**Table 5**).

Table 5: Podkarpackie strategy 2007-2020: structure of objectives.

Objectives	Total expenditure planned in PLN million	Location	Expenditure planned as a per cent	EU financial resources planned in million PLN
Regional economy (4 priorities)	1370,8	5	9,0	649,4
Rural areas and agriculture (4 priorities)	2550,0	3	16,8	1516,2
Environment protection (5 priorities)	3324,4	2	21,9	1950,0
Social capital (4 priorities)	2330,9	4	15,4	925,4
Technical infrastructure (4 priorities)	4375,0	1	28,9	2616,3
International cooperation (3 priorities)	162,0	8	1,1	64,0
Health (2 priorities)	662,3	6	4,4	324,1
Social security (4 priorities)	383,9	7	2,5	118,4
Total	15159,2		100	8163,7

Source: elaborated on the basis of *Strategia rozwoju...*, (Development strategy...) 2006: 159.

This tendency to select a wide range of objectives and priorities was also typical for most operational programmes in the two periods after accession. More detailed analysis of similarities or dissimilarities between operational and domestic strategic documents is difficult as domestic strategies are more general in defining objectives and assessing sources of financing. It can be argued that the ROP 2007-13 and domestic regional development strategies were aligned. However this concerns two broad similarities rather than specific areas of coordination, integration or alignment: the strong priority given to hard infrastructure as a key development factor (financed in several priorities, not only in the technical infrastructure priority of the ROP) and relatively limited emphasis placed on innovativeness or information society. In the ROP, innovativeness is presented as an important part of regional economic development. However, the largest projects are those supporting technical infrastructure development in the public sector. It must also be noted that much more significant emphasis was placed on rural areas and agriculture in the regional development strategy (the scope for this sort of support is much more limited in the ROP 2007-13 as it is funded through ERDF) although according to all data available it did not support structural change of regional dispersed mostly subsistence farms but rather the quality of life of rural dwellers and in particular farmers (**Kozak 2014a**).

Podkarpackie ROP performs slightly better than the average for all ROPs (87.8 percent allocation contracted as compared to 85.1 percent on average) (**MIR 2013: 9**). However, **Table 6** shows that financial progress of Podkarpackie ROP varies across particular priorities. The lowest level of advancement relates to priorities which have rather small allocations. In particular, information society projects have made limited financial progress (below 10 percent in 2013). According to AIR information, despite this moderate financial performance there should be no problem with expenditure as a number of projects is in the pipeline.

According to “Mapa Dotacji/Map of projects MIR” (information for 21 April 2014) there were 34 R&D projects financed and finished under ROP in Podkarpackie. Three largest of them (two of PLN 135.9 million and 80.0 million) were implemented by University of Rzeszów (2) and Technical University of Rzeszów (1).

Table 6: Assessment of ROP financial performance

	Strong (A)	Significant (B)	Moderate (C)	Weak (D)
	Most or all funds committed, no decommitment, substantial level of payments made	Above-average commitment of funds, below-average decommitment, above average level of payments made	Average or below-average commitment of funds, above-average decommitment, payment levels below average	Significantly below average commitment of funds, and/or significantly above average decommitment, payments made significantly below average
ROP - total				
Competitive and innovative economy				
Technical infrastructure				
Information society				
Environment protection and hazards prevention				
Public infrastructure				
Tourism and culture				
Regional cohesion				
Technical assistance				

Source: own elaboration based on ROP 2007-2013: 131 and AIR 2013.

In half of the regional counties new regional centre for modern technologies transfer (sometimes and/or vocational training) was established (12 projects, mostly ca. PLN 10 million each), what suggests regional decisive strategic approach to technology transfer and vocational training. Although business represents 13 out of 34 projects, according to data presented by the Ministry in financial terms their share is small (together ca. PLN 15.1 million). Clearly according to data published by the Ministry almost all funds were allocated to state universities and local governments and to a large extent on technical infrastructure and equipment, while financial support to the business sector was insignificant.

According to AIR, however, situation is completely different. Majority of projects at various stages of implementation (854 contracts worth EUR 151.4 million) came from business sector, 3 contracts (worth EUR 63 million) from universities and other scientific establishments, 24 contracts (EUR 15,6 million) from NGOs and 30 contracts (EUR 31 million) with local governments. **(AIR 2013: 135)**.

3.3 Physical performance

Physical performance can be illustrated by the following data from AIR 2013 **(Table 7)**.

Table 7. Physical performance of ROP

	2010	2012	performance in %
Jobs created (gross)	8332	2548	51,53
Jobs created (net)	2264	776	-
Regional GDP change	0.74	1.43	-

Source: AIR 2013

By priorities (advancement⁴ till the end of 2012), per cent of total allocation:

Competitive and innovative economy	18,80
Technical infrastructure	20,38
Information society	2,50
Environment protection and hazard prevention	11,07
Public infrastructure	20,30
Tourism and culture	16,50
Intraregional cohesion	20,06
Technical assistance	15,36
Total	17,45

The progress made by the ROP (defined in terms of certified expenditure presented for refund to the EC) is similar to the national average. This includes a strong tendency to overestimate the role of hard infrastructure in development: wherever possible progress in most priorities has been achieved thanks to infrastructural investment. However, there are some clear differences among ROPs, including between those in Eastern Poland (with Podkarpackie as part of this) and the rest. One of the main differences relates to R&D expenditure which is relatively high and in Podkarpackie is significantly channeled to the business sector. The low progress in Priority 3 (Information society) may be related both to the fact that it is part of new development paradigm and not always accepted by potential beneficiaries as important but also to the initial lack of decision concerning responsibility for covering the cost of maintenance of broadband internet lines.

In the case of innovation (more generally including R&D and information society) Podkarpackie region is among most advanced and resourceful. The regional capital Rzeszów was the first city in Poland to construct and offer free wi-fi internet. The city is an important academic centre in Eastern Poland and is strongly oriented towards aviation and other engineering, information and communication technologies. Local universities have recently invested heavily in R&D infrastructure (labs, technology creation, advanced business incubators). It can be argued that R&D projects presented a challenge also in terms of their assessment: in general in Poland before 2007 there were very few evaluators able to assess the value and quality of R&D (innovation) projects. This resulted in rather simplified indicators of what is or what is not a high quality innovation or innovation related project (**Kozak 2013**). As a result, a number of projects were of minor significance for competitiveness (as for instance new technology carwashes)

⁴ Understood as public expenditure presented by the Certifying Institution in its applications for refunding to the European Commission.

Narrowly defined physical progress should not lead to the conclusion that the attainment of objectives in the ROP Podkarpackie is endangered. A positive impression emerges when taking into account projects in implementation that were reported in the AIR 2013. It should be stressed, however, that comparisons between the programmes are difficult as priorities and indicators definitions were defined in different ways (see **Evalnet report 2011; 2012**). According to most interviews, progress has been made in the proper directions and the ROP has had significant influence on meeting objectives mostly thanks to the fact that it demonstrates better understanding of regional and local needs than national programmes and is 'steered' more by the region. In particular, hard infrastructure investment and improved accessibility is highlighted as proof of the ROP achievements. Some interviewees stressed, however, that more important (as infrastructure does not create jobs) are changes in labour market intervention and progress made in individualization of approach towards unemployed via the network of new institutions established throughout the region (vocational training centers and similar). Undoubtedly, this new approach (based on the new development paradigm) is gaining a place in strategic development thinking in Podkarpackie.

In general the progress made by Podkarpackie ROP is slightly better than Poland's average among ROPs (and clearly better than national OPs).

Table 8: Assessment of ROP physical performance

	Strong (A)	Significant (B)	Moderate (C)	Weak (D)
	Targets exceeded, above average for the programme as a whole	Progress towards targets on track, average for programme as a whole	Progress towards targets behind schedule, below average for programme	Progress towards targets severely constrained, Significantly below programme average
ROP				
Innovation				

Source: own elaboration.

3.4 Added value

The managing authority increasingly puts emphasis on projects' value added. The best examples are investment in numerous innovation (R&D) projects related to the Aviation Valley complex and higher education facilities (labs, interlinked technology transfer centres etc.). Another example is the significant improvement in regional accessibility along the A4 transport corridor (thanks to Infrastructure and Environment national OP) which is increasingly contributing to internal accessibility thanks to local/regional investments into roads.

In certain areas, however, there is a clear tendency to finance certain activities in all counties, not necessarily in a coordinated or synergic way. This concerns in particular support for tourism and culture where support is used to satisfy the demands of local communities (for swimming pools, local sport centres, church renovation etc.) rather than for improvement of local competitiveness and attractiveness. Similarly, the revitalisation measure in the ROP is often used for renovation of buildings, squares, streets or parks (see **Kozak 2014; MIR Mapa Dotacji** website). This process seems to be strongly related to the dual character of regional economy in territorial terms: a few better developed and relatively modern counties benefit from academic centres, the Aviation Valley complex and well developed industrial structures while less developed, more rural areas, particularly to the south of the A4 corridor have a completely different approach. Interlinked and synergic projects are increasingly implemented by beneficiaries and MA. A prominent example is the

initiatives developed by the city authorities of the regional capital Rzeszów which have a clear balance between development projects and quality of life projects in order to increase of attractiveness. Indeed, Rzeszów is playing a regional development role far beyond its population size.

Despite some progress of very fragile cooperation with Ukraine (**Kravtsiv, Wierzbieniec 2013; see Mrinska et al 2013**), its beneficial influence up to date is limited rather to the border regions (**Smętkowski 2013**), and recent situation in Ukraine does not facilitate increased cooperation. On top of that one should notice that there is visible shift in regional economy towards development of cooperation and strengthening economic ties with businesses from the EU (in particular Slovakia, but not only) rather than with Ukrainian ones (EUBO 7th Framework Programme initial findings; see also **Smętkowski 2013**).

Table 9. Assessment of ROP performance: added value

Added value	Strong (A)	Significant (B)	Moderate (C)	Weak (D)
Financial			Limited leverage of additional funding, mostly public and at project level (as compared to less developed regions – significant)	
Strategic		Recently CP programming principles apparent in domestic policies most relevant to CP priorities CP objectives and priorities given explicit reference in relevant domestic strategies		
Operational		CP systems for project generation, appraisal now evident in some specific domestic policies		
Accountability	Extended use of CP monitoring, reporting, financial management and evaluation requirements across domestic public policy system			
Democratic	Increased consultation, partnership-working structures in policy-making, derived from CP partnership principle			

Source: own elaboration.

The value added of the programme is very high in infrastructural investments (in particular road transport supported under national and regional OPs). Locally (in particular in the regional capital city) high added value and synergies can also be observed. Another example is the Aviation Valley complex although it is questionable whether this can be regarded as a real cluster or simply a number of companies and institutions using national and European support to finance their often individual activities. The question stems not necessarily from a critical comment on those institutions but rather the development difficulties of the region which is losing its position among Polish regions (see **Table 1**).

Value added under the innovation heading seems to be much higher than in other intervention fields (possibly except for transport investments) but is still insufficient to counteract the economic slowdown of the region. The question remains what elements of the development strategy and the ROP should be reconsidered.

4 Strategic quality

Strategic quality may be evaluated in different ways. For the needs of this report, the author proposes that high quality depends on:

- A diagnosis that covers themes related to new development drivers
- Adequacy of objectives and contemporary paradigm
- Good technical quality (clarity of definitions, descriptions, indicators).

The Podkarpackie ROP is based on a mix of elements of different paradigms, the old (industrial era) and new (typical for knowledge based economies, Europe 2020 etc). It has, however, to be noted that one of the most pressing challenges facing the regional economy, the outdated agrarian structure, lies mainly outside the remit of the ROP. Agricultural policy in Poland is a mix of national and EU approaches that does not contribute satisfactorily to the rapid modernization of farms and agrarian structures (**Kozak 2014**), but this is not the responsibility of the ROP.

Cohesion policy has undoubtedly extended the level of funding available for the upgrading of infrastructure in the country and mobilised local resources through the co-financing requirement. The demonstrative or learning effect of implementing EU-funded programmes was also been a factor, though according to some studies these were rather limited to those parts of the administration which were directly involved in Cohesion policy implementation (the learning process was limited; see **Olejniczak 2013**). Some progress was made also in disseminating strategic planning and programming (**Misiąg and Tomalak 2008**). In the period 2004-2006, there were particular problems with ESF activities which were not enough flexible and widely criticized for low efficiency.

Most evaluation studies consider the regionalisation of Cohesion policy in Poland as a positive move as local and regional authorities are better informed about the real needs of their region. The question remains whether this also means that those needs are seen according to the old or new development paradigm, that is whether the definition of development drivers is appropriate. This question has not yet been researched properly as negotiations of the Partnership Agreement and the new ROPs for 2014-2020 are still underway. It remains to be seen whether success in mobilising local communities around common development goals has been successful in ensuring the appropriate choice of these goals. Up to now there has been a clear tendency to emphasise investment in hard infrastructure for development, though awareness of the potential of more innovative measures, linked closely to new development theories, has gradually increased (**Gorzelak and Kozak, 2012**).

The main objective of the domestic regional development strategy for Podkarpackie is in line with the new paradigm, albeit in a very general way: *“Improving the domestic and international competitiveness of the regional economy through increasing its innovativeness and efficiency, which will create conditions for increase of employment and of income and quality of life”*. The ROP introduces regional accessibility as an additional element, which in practice concerns the

construction of improved by technical infrastructure. Looking at the ROP objectives, it can be concluded that in this less strategic and more operational document elements of old paradigm are more evident. This is apparent also in the drivers identified in the ROP and in its SWOT analysis, where the role played by the Aviation Valley, academic resources and cadres is overestimated, but where the problem with accessibility is also overestimated as the main reason of lower investment attractiveness and of problems in sales and tourism development (**ROP p. 38**). The SWOT table suggests that in the region it is difficult to decide what are key elements requiring intervention. In effect such an approach opens up space for free objectives definition (there is no need to prioritise if everything is important as a strong or weak element).

In relation to 2014-2020 preparation, as in all member states, the role of evaluation of the 2007-13 period was insignificant, as no ex post evaluation had been done by the first half of 2014. Progress made and reported in the AIR and the experience of staff played a much more important role in terms of the utilization of past activities to inform the next period. Evaluation studies over the last years were more oriented toward technical improvements of operations than results of different measures (priorities). What works and what does not work was not extremely important problem in Poland. More important was how to disburse the funds.

Formally a lot of space was devoted to the coherence of the ROP objectives with other domestic and external (European) policies/strategies.

4.1 Exploring factors determining Cohesion policy effectiveness - strategic quality

The ROP strategy was developed in line with EU guidelines. The process was efficient and according to schedule as most strategies in Poland aimed to start activities as soon as possible. The process of negotiation and approval was efficient as all parties were interested in finalization of activities and representatives of the region had an open and flexible approach to the process.

The quality of documents in general was acceptable. However, it is notable that the scope of the ROP is much wider in comparison to the domestic Podkarpackie development strategy 2007-2020 (Strategy), the criteria used for project assessment are broad (this is a supraregional problem) and there is a strong tendency to invest in hard infrastructure in almost all priorities. In short, the ROP strategy displayed a mix of elements of different paradigms, with a consistent stress on the traditional development paradigm. Moreover, the strategy did not address rural and agrarian issues, the role of CAP in the region, which contributes mostly to the quality of life of farmers and rural areas dwellers, but not much towards agriculture modernization and badly needed agrarian structure modernization. This is one of the key factors in the region's poor GDP level.

Significant progress was made in terms of strategic planning and programming: *“EU cohesion policy has undoubtedly led to improvements in the decision-making process and in the procedures and arrangements adopted for both determining and implementing policy in relation to both regional development and other areas”* (**Misiąg and Tomalak 2008**). But in other spheres (GDP) assessments of Cohesion policy achievements in Poland in the 2004-2006 period included recognition of added value effects. First, in terms of leverage, Cohesion policy significantly extended the level of funding available for the upgrading of infrastructure in the country. It also mobilised local resources, mainly through the co-financing requirement. The demonstrative or learning effect of implementing EU-funded programmes was also been a factor: the 2004-2006 period was the first occasion for local,

regional and national authorities to get fully acquainted with EU rules, procedures and institutions and this has had an impact on the quality of policy administration.

Achievements in terms of added value have also been noted in the 2007-13 Cohesion policy programmes in Poland. According to evaluation evidence, Cohesion Policy funding has continued to help maintain the level of public investment in development. Moreover, with the regionalisation of ROP management and implementation responsibilities in the 2007-13 period, there has been increasing focus on the added value experienced at regional and local levels. The availability of Cohesion Policy funding has had a significant influence on increasing the mobilization of local communities around common development goals. Studies have indicated that Cohesion policy initiatives have increased awareness of potential responses to regional and local development issues and the role that regional and local authorities can play in these. In terms of strategic thinking, although there has been continued emphasis on the significance of investment in hard infrastructure for development, awareness of the potential of more innovative measures, linked closely to new development theories, has gradually increased (**GorzelaK and Kozak, 2012**).

Table 10. Assessment of strategic quality

Strategic quality	Assessment of strategic quality			
	Strong (A)	Significant (B)	Moderate (C)	Weak (D)
Specific indicators	Strong (A)	Significant (B)	Moderate (C)	Weak (D)
Programming process	Processes clearly defined and implemented well	Processes clearly defined and implemented adequately	Processes defined, but implemented inadequately	Processes poorly defined and implemented inadequately
Negotiation and approval	Efficient and speedy negotiation and timely approval	Minor delays in negotiation/approval	Major problems with negotiations but minor delays in approval	Major problems with Negotiations, significant delays in approval
Quality of programme documents	Well-structured Documents, clear strategic focus	Programme documents with some deficiencies in strategy	Programme documents without a clear strategic focus	Programme documents with major deficiencies in strategy
Treatment of specific policy heading	Detailed, explicit reference to policy heading in programme strategy, adjusted to and appropriate to regional socio-economic context, strong links with related strategies	Explicit reference to policy heading partially adjusted to regional socio-economic context	Explicit reference to policy heading, limited adjustment to regional socio-economic context, limited reference to related strategies	Limited/implicit reference to policy heading, not adjusted to regional socio-economic context, no reference to related strategies

Source: own elaboration.

5 Administrative capacity

The management system is similar in every region and as it was described in detail in Śląskie region case study here the management system will only be outlined (see Table 11). As in most Polish regions (and unlike in Śląskie) there is no second level implementation institution in charge of any priority/measure/activity. All responsibility for both management and implementation remains with the Marshal Office and its departments. The Regional Executive Board bears full responsibility for ROP management and implementation.

In the pre-accession period, small provinces existing till 1999 were not self-managing, strategic decision making was in the hands of ministers and heads of central offices and implementation was the task of public agencies (Polish Agency for Regional Development at central level in the case of

regional programmes and regional development agencies at the provincial level). The system was to some extent similar to the Swedish example and was consistent with the economic reforms underway at the central level in 1997-98. As central level reforms ended, the system for management and implementation of regional intervention, financed mostly by foreign assistance programmes (mainly Phare) was reconsidered. In 2002, a period of chaotic reorganization at the central level began, ending in 2006 when the Ministry for Regional Development was established. However, over time, the number of regional institutions involved in programme implementation decreased and in the period of 2007-2013 very few regions decided to use the services of existing institutions such as regional development agencies. When such agencies were used (as in Mazowieckie and Śląskie) these institutions were newly established and fully controlled by Executive Thus, formerly very active agencies were not utilized in RPO implementation, although their quality has been demonstrated in their new role as successful and often innovative beneficiaries, including in the Podkarpackie region.

Table 11. Management and implementation structures

Programme management	Responsible body	Notes (e.g. central or regional level)
Managing Authority	Executive Board of the regional Marshal's Office, (regional self-government)	regionalised
Certifying Authority	Ministry of Infrastructure and Development	centralised
Audit Authority	Ministry of Finance Tax Audit General Inspectorate (Tasks partly delegated to Voivod in the region)	Centralised (as everywhere in Poland partly delegated to Voivod, representative of the central govt in the region)
Intermediate Bodies	none	(Decision regionalized)
Other Bodies (e.g. at regional or local level)	None other than beneficiaries	(Decision regionalised)

Source: own elaboration.

The allocation of responsibilities and tasks to key bodies in Podkarpackie is in line with the regional self-government policy in most Polish regions. The view is that programmes can best be managed and controlled by one institution. The tendency to centralize is clear in many self-government bodies, to an extent contradicting the growing role of networks, division of responsibilities, NGO and social participation and multi-level governance principles in contemporary Cohesion policy and regional policy theory. Moreover, the growing complexity of the development situation and drivers in globalised economy factors calls for more flexibility and a wider distribution of powers. Coordination understood in a traditional Weberian sense is clearly easier in one managing and implementing authority, but in a contemporary sense it leads first of all to increase of employment and expenditure but not always to better solving the regional development problems. The same can be said about staffing level which seems to be satisfactory in the existing, centralised context.

In general, however, some adaptation of the existing administrative model is advisable for the 2014-2020 period. Less stress should be placed on expenditure and political gains and more on achieving development objectives. These two goals should not be confused. Despite significant support from EU funds (including CAP) the region in relative terms is losing its position and needs a radical change of regional development policy approach. This refers also to management. Some interviewees (in

particular working on labour market where all the regional problems are clear) argue that a change is needed in unfavourable situation of regional economy which is unable to utilise the funds available and to produce more and better jobs.⁵

In the current context, management functions (including project generation and selection; financial management; monitoring and reporting) are carried out in a proper and generally satisfactory way. In the case of evaluation, increasing attention should be given to results rather than technical aspects of implementation. It is an open question what part of the existing staff will contribute to administrative capacity when requirements are different and more strict. It may need additional training for many in order to change habits and routine.⁶

Administrative capacity for the management and implementation of innovation (R&D) priority at the moment is acceptable. Taking into account that innovative projects have a rather vague definition (by the Ministry) one would suggest the need for more strict assessment criteria for the use in the region. Expenditure is not an objective, only one of the measures. A similar problem can be noted in most Polish regions.

Table 12. Assessment of administrative capacity (in the current period when regional economy is relatively going down)

Administrative performance	Specific indicators	Assessment of administrative performance			
		Strong (A)	Significant (B)	Moderate (C)	Weak (D)
Management	Structures		Clear, formalized allocation of competencies and responsibilities but operational weaknesses (objective attainment weak)		
			Good intra-departmental communication but limited openness. Use of formal and informal channels		
		Stable structures and responsibilities throughout the programme period			
	Human resources		Staff available with some constraints in qualification, experience or turnover (and objectives attainment)		
			Developed HR management system. Operational weaknesses in		

⁵ Interview with policy maker, Rzeszów 27/6/13.

⁶ Interview with academic expert, Rzeszów, 24/6/13.

			performance assessment and staff development		
	Administrative adaptability		Some mechanisms for adaptation, partly using staff experience		
Project preparation and selection	Project generation		Sufficient demand, quality of project applications needing serious improvements		
	Project appraisal and selection			Mostly defined criteria, lengthy procedures with focus on formal criteria	
Financial management	Processing of payment claims	Clearly defined and quick processing of payment claims, efficient checks			
	Financial (de)commitment			Passive approach, case-by-case response to decommitment	
	Financial management and control	All systems effective			
Monitoring and reporting			System operational, procedures established, but not fully operational; some indicator weaknesses		
				Partial data available, mostly cumbersome procedures	
Evaluation	Evaluation reports		Ex ante, interim and/or thematic reports produced		
	Evaluation methods and culture		Evaluation system established, good capacity but utilisation is mixed		

Source: own elaboration.

The effectiveness of Cohesion policy programmes has been conditioned by the quality and administrative capacity of management and implementation systems. And that in turn was dependent on systemic approach taken throughout the country (and most of the EU) that assumed that efficient spending and objective attainment are the same. It was clear in case of Podkarpackie region, where significant efforts were put on investing mostly in technical infrastructure (e.g. construction of incubators, technological parks) without parallel investment into high quality international teams that would ensure full utilization of the infrastructure and equipment financed. Given current knowledge of development drivers, the preference given to infrastructure is difficult to justify (see **Crescenzi and Rodriguez-Pose 2012**). The least advanced is the implementation of information society priority.

6 Conclusions

6.1 Programme achievements

The performance of the Podkarpackie ROP 2007-2013 in financial and physical terms is slightly better than Poland's average. Elements of value added can be identified (in particular in case of technical infrastructure, first of all transport). However when discussing the objective achieving one should bear in mind that in the period researched the region lost its position among other Polish regions. There is some time to finalize the programme (at least till 2015) so the situation may change. However, it should be remembered that in general in Poland demand side effects prevail, while supply side ones are only expected to come. In the long perspective **(MRR 2013b: 9)**.

6.2 Strategic quality

It is clear that Podkarpackie ROP (as all other ROPs) represents a mix of paradigm foundations. It is both modern in its adopted approach to development (including support for R&D, innovation), and very traditional (in supporting tourism, culture, revitalization) where clearly local interest in the quality of life (not necessarily attractiveness for investors) is dominant. Propensity to finance technical infrastructure wherever possible also represents the latter approach. The question remains, whether the needs were defined more in line with the old (industrial) or the new (knowledge based) development paradigm. In fact, both are supported to a certain extent. It also somehow explains differences in local approach to ROP funding: to spend this money in the region on needs as seen by beneficiaries (who as we know have different points of view due to regional duality)(see **Smętkowski 2013**). This is a more general, not only regional problem **(Kozak 2014)**.

6.3 Administrative capacity

Administrative capacity is sufficient for the management and implementation of the ROP 2007-2013 although it takes a simplified approach (similar to most other regions). The system established is stable and effective, has appropriate resources, mechanisms, instruments, and qualified staff. However, the question arises whether this is enough to manage and implement 2014-2020 ROP, providing it will be more demanding than the 2007-2013 programme. Can the new ROP be managed and implemented without the active involvement of other regional and local institutions? The finances made available to regions in 2014-2020 Cohesion Policy budget in Poland is far larger than in 2007-2013. Thus although administrative capacity is currently sufficient, there are doubts about whether it has the features and qualities needed to pursue a more sophisticated development path.

6.4 Lessons learnt

Podkarpackie is in the process of transition from the old to the new development paradigm with – in the period 2007-2013 – preference given to old paradigm (infrastructure supported as the main driver). Only recently has the need for more integrated, results-based approach been highlighted. The main conclusion for the improvement of ERDF operation is that strategic guidelines for the programmes should be more concrete and clearly specify objectives, structure of finances allocated, selection criteria. This should be based on a clear justification and logic to ensure that a learning process is also taking place.

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