

# REGIONAL CONTRACTS IN THE POLISH DEVELOPMENT POLICY<sup>1</sup>

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**ABSTRACT:** Regional contracts developed in Poland as a consequence of the process of the state decentralisation and the building of local governments in the 1990s. By learning from other countries' experiences (especially the French regional policy), an instrument was devised in order to support the decentralisation of the state development intervention and to foster the regions' empowerment to programme and administer the regional policy. Unfortunately, since the very first edition, regional contracts in Poland have become a hostage to impromptu political acts determining changes to the economic policy, the limited state budget and very frequent legal amendments. The goal of this article is to conduct a synthetic analysis of the origins, changes and challenges related to the use of regional contracts in the Polish development policy. The author's subjective, critical opinions were confronted with the opinions of the representatives of regional authorities in selected voivodeships. To this end, interviews were conducted with directors of departments in selected marshal offices. The resulting evaluation, conclusions and recommendations allowed the verification of the author's subjective views.

**KEY WORDS:** regional contracts, regional policy, regional authorities, government, Poland, European Union

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## Introduction

Regional contracts developed in Poland as a consequence of a regional policy reform resulting from the advancing process of the state decentralisation whose second stage took place in the late 1990s. As a result of these changes, since 1999

the local government in Poland has been operating in a three-level pattern encompassing two local levels and a regional one. Negotiations regarding the Polish membership in the European Union were conducive to the implementation of contracts to the Polish regional policy. In such conditions, learning from other countries' experiences and especially the French regional policy (Pietrzyk 2004), an instrument was prepared to support the decentralisation of the state development intervention and to foster the regions' empowerment to programme and implement a regional policy (Rabska 2001; Grosse 2002, 2003; Cybulska 2012; Sługocki 2014). Unfortunately, since their first edition in the years 2001–2002,

<sup>1</sup> The article is the development of a synthetic analysis published for the invitation of Professor Lee Pugalish of the Institute for Public Policy and Governance at the University of Technology Sydney and Professor Gill Bentley of the Department of Business and Labour Economics at the University of Birmingham in *Regions*, a journal published under the auspices of the Regional Studies Association (Churski 2016).

regional contracts in Poland have become a hostage to impromptu political actions determining changes in the economic policy, the limited state budget and very frequent legal amendments. As a result, an instrument of a regional contract operating well in other countries was warped in the Polish regional policy. It causes the search and implementation of its new forms which, on the one hand, are to eliminate revealed irregularities and, on the other hand, are going to respond to new needs resulting from the popularisation of the development of the place-based policy (Barca 2009; Garcilazo 2011; Mendez 2013; Ženka et al. 2014; Camagni, Capello 2015; Pugalis, Gray 2016).

The article seeks to determine the origins, changes and challenges related to the use of regional contracts in the practice of the Polish development policy. The research is composed of two basic parts: systematising and evaluating in three sub-periods of the programming of the Polish regional policy: pre-accession (2000–2004), the first decade of membership (2004–2006 and 2007–2013) and the current period (2014–2020). In consequence, in each of the distinguished sub-periods the legal bases of the operation of regional contracts are systematised, the amount of financial spending connected to their implementation is identified, and a critical evaluation is made. The author's subjective opinions are each time confronted with assessments provided by representatives of regional governments. In order to acquire this evaluation in the mid-2016, the author interviewed the directors of departments (responsible for regional development) in selected marshal offices. Respondents representing three voivodeships: Lubelskie, Podkarpackie and Wielkopolskie, answered five questions:

1. How do you rate the significance of regional contracts for the implementation of the Polish development policy? Please, justify your evaluation.
2. In your opinion, did the first province contracts fulfil their role? If so, which of the results do you find the most important? If not, why did it happen?
3. Are territorial contracts activated as a consequence of the implementation of the National Strategy for Regional Development (NSRD) a better instrument than province contracts? What are their most important strengths and weaknesses?

4. Do the territorial contracts in Poland corresponding to the 2014–2020 perspective meet the needs of the place-based policy? What do the changes made in them result from?
5. What should the optimal model of territorial contracts be in Poland?

The resulting evaluation, conclusions and recommendations allowed the verification of the author's subjective opinions<sup>2</sup>.

### **Origins of regional contracts as an instrument of a new regional policy in Poland (2000–2004)**

Regional contracts in Poland (termed province contracts) were implemented into the practice of the development policy as a consequence of the second stage of state decentralisation realised in the late 1990s and early 2000s. This stage was related to the new territorial division reducing, among other things, the number of regions from 49 to 16 and to the expansion of self-governance by decision-making and financial empowerment of regional authorities.

The first edition of province contracts was regulated by the Act of May 12, 2000 on the principles of regional development support (Journal of Laws 2000, no. 48, item 550). It was the first legal act in Poland regulating the regional policy from the onset of systemic/economic transformation in 1989, determining the assumptions of the model of its programming and implementation (Szlachta et al. 1999; Churski 2008) (Fig. 1). The adopted contract model was based on

<sup>2</sup> The Polish public administrative system is based on three levels. The local one includes communes and poviats. A commune is administered by a local government in the form of a city council, a board with the head of a rural commune (Wójt), an urban commune (Mayor), and a commune with poviat rights (President). A poviat is administered by a territorial self-government in the form of a poviat council and a board with the head of the poviat (Starosta). The regional level includes self-government and government voivodeships. The regional government responsible for regional development is based on a voivodeship parliament (Sejmik) and a board with a marshal who manages the Marshal's Office. The government administration in a region is based on a Voivode governing the Voivodeship Office and who is a representative of the government in an area and controls finances and the rule of the law.

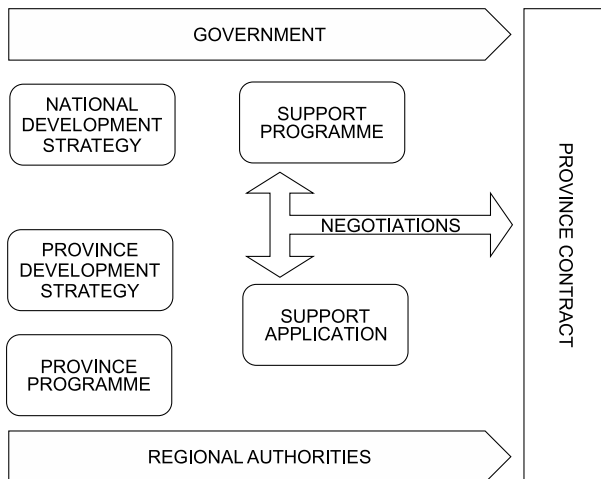


Fig. 1. Model of the first edition of the province contract in Poland.

Source: own study on the basis of Kawałko (2009).

the existing solutions in France (Pietrzyk 2004). It was previously tested in Poland, with various results, as a pilot study implemented in 1995 in the form of the Regional Contract for Katowickie Voivodeship. The province contract in this model was a civil-law agreement concluded between the RP government represented by the minister in charge of regional development and voivodeship authorities represented by a voivodeship marshal (Rabska 2001; Grosse 2002, 2003; Cybulska 2012). On its basis the support from state budget funds projected by the government within the Support Programme was granted for the implementation of the activities resulting from both the National Strategy for Regional Development and the Province Development Strategy and the corresponding Province Programme of Operational Regional Development (known as Province Programme) (Dziuba 2005). All the same, the province contract gradually became a basic tool for the implementation of the Province Development Strategy. Pursuant to the provisions of Article 5(3) of the Act, contracts were supposed to be the basis for the support of regions, financed from the state budget which included (Journal of Laws 2000, no. 48, item 550):

- development of entrepreneurship, especially small and medium entrepreneurs, economic innovation, technology transfer,
- restructuring of selected areas of public services as well as the local and regional economy based on sustainable development principles,
- creating new, permanent jobs,

- investments in the technical and transport infrastructure improving the implementation of economic investments,
- projects in education, including educational investments and adult education,
- projects in regional and local culture as parts of national culture and the protection and development of the cultural heritage,
- investments improving the state of the environment,
- development of institutions operating for the activation and support of activities of regional and local self-governing communities,
- studies and research necessary to conduct a regional development policy,
- other tasks related to regional development support.

Thanks to the then existing principle of exclusivity, the contract, apart from statutory exceptions, was the only form of financing regional development tasks from the state budget (Kawałko 2009). Outside its scope, in accordance with Article 29(1) of the Act, there could be only targeted subsidies from the state budget for the implementation of (Journal of Laws 2000, no. 48, item 550):

- intervention programmes created and implemented in case of natural disasters, sudden crises, especially in the labour market and economy,
- pilot programmes testing new solutions and regional development instruments,
- advisory and information programmes enhancing the ability to adopt the financial budget support of province programmes.

The implementation of contracts required a full understanding and application of the basic principles of the regional policy. The idea of contracts was based on the programming principle. Their conclusion was preceded by the Support Programme, prepared by the government, determining the choice of priorities of the intervention financed from public resources in a given period from the National Strategy for Regional Development. Programming was also necessary on the part of local governments, which, in preparation for contract negotiations, were drawing up a Support Request on the basis of the Province Development Strategy and the Province Programme<sup>3</sup>. The

<sup>3</sup> A province programme was an executive document for the Strategy.

Table 1. Means spent under province contracts in the pre-accession period (in million PLN<sup>4</sup>).

Voivodeship	Province contracts 2001–2003	Province contracts 2004
Dolnośląskie	397.33	86.13
Kujawsko-pomorskie	264.48	47.48
Lubelskie	299.57	70.80
Lubuskie	39.30	33.92
Łódzkie	241.45	59.87
Małopolskie	464.19	110.34
Mazowieckie	1,528.16	333.64
Opolskie	120.04	46.04
Podkarpackie	428.67	111.10
Podlaskie	189.02	56.23
Pomorskie	318.22	90.95
Śląskie	431.22	103.35
Świętokrzyskie	285.41	47.14
Warmińsko-mazurskie	243.01	73.13
Wielkopolskie	385.73	65.58
Zachodniopomorskie	110.92	41.27
Total	5,746.73	1,376.96

Source: own study on the basis of *Report on the development and regional policy* (2007).

implementation of these actions would not be possible without the practical use of the principle of partnership. Multi-level partnership based on the idea of multi-level governance became the basis for agreements between regional authorities and all the stakeholders of development processes reached within an intra-regional policy, and within an inter-regional policy between the government and other regional stakeholders. In the process of partnership programming attention was paid to the necessity of the compliance with the principles of concentration and complementarity of planned activities, in which the possibility of optimisation of their effectiveness was perceived. Financing the activities under a contract had to be based after all on the subsidiarity principle. It assumes that the contract budget with major resources coming from the state budget was based each time on the financial package combining these resources with financial outlays of local governments and private means. Designed in this way, province contracts were concluded twice before the pre-accession period: first in June 2001 – Province contracts 2001–2002/<sup>5</sup> and second in April 2004 – Province contracts 2004 (Churski 2008).

The decision about the implementation of contracts resulted from the two basic reasons, which, as rightly pointed out by Gęsicka (2004), should be considered in terms of systemic and pragmatic conditions. The first group derived from the need to build the state's territorial system with regional governments as main entities of the regional policy and at the same time the need to coordinate development activities at the national level, for which the contract was to be the basic instrument. The second group, related to pragmatic conditions, aimed to ensure the competence coordination and arrange the allocation of, on the one hand, national and foreign public means, as assumed, and on the other hand, private means for the implementation of pro-development activities. The application of the above-mentioned regional policy principles, forced by contracts, led to eliminating the financing of accidental projects. It helped to organise sector activities of particular ministries and increase the effectiveness of spending public means through adopting a multi-year financial framework. The promotion of partnership was a significant factor in the development of the permanent and optimal cooperation structures of all the stakeholders of the development policy who effectively combined intra- and inter-regional activities. It is important to note that the significance of contracts in the context of their function connected to the territorialisation of intervention activities was included in the adopted

<sup>4</sup> 1 euro = 4.3 PLN (PLN – Polish zloty).

<sup>5</sup> The first edition of province contracts was scheduled for implementation by Jerzy Buzek's government for 2001–2002 and then extended by a year to 2003 by Leszek Miller's government.

assumptions. In this regard, on the one hand, the delimitation criteria of stagnant areas and those at the risk of marginalisation were determined, and on the other hand, the algorithm of fund distribution (the Berlin algorithm<sup>6</sup>) was applied. With the dominant influence of the demographic factor, this algorithm favours regions with a low GDP level and those with a high unemployment rate (Appendix 1). The assumptions in question determined a regional redistribution of the state budget appropriated for the implementation of a contract, which was specified in government Support Programmes (Table 1). It is worth emphasising that the amount of these funds was relatively low, which was partly a result of the unfavourable socio-economic situation of the country related to a substantial budget deficit and partly to the failure of the government effort resulting from the objection of the European Commission to the inclusion into the budget of the means of Pre-accession Funds – PHARE II, ISPA and SAPARD.

As a result, in the first two editions of regional contracts in the pre-accession period over 7.1 billion PLN were expended, out of which only 3.9 billion (54%) were means from the state budget (Churski 2008). In comparison, in the same period under the Pre-accession Funds PHARE II and SAPARD Polish beneficiaries received nearly 7 billion PLN, i.e. the amount equal to the total outlay of the two first editions of contracts (*Report on development...*, 2007).

Unfortunately, in practice the importance of a province contract as an effective tool for the decentralisation of competence, reinforcement of endogenous (bottom-up) development and territorialisation of development activities in Poland was marginal. This tool was perceived largely as a new instrument for the arrangement of financial flows between the government and a region which only theoretically guaranteed the independent competence of regional authorities. Introduction of contracts aimed at the liquidation of the system of targeted funds and prevented particular ministries from sector intervention in the regions outside the contract. Regions were supposed to be independent in terms of determining the content-related and

financial scope of the contract. Reality proved to be different. Contracts with a relatively low budget operated next to the system of targeted functions which were only limited and not liquidated and next to the sector intervention of ministries made outside the contract. To make matters worse, the contract content was not negotiated, but to a greater extent imposed on regions by the government and included the projects which regardless of the contract would be implemented in voivodeships with the national support. As much as the inclusion of province contracts into the Polish development policy should be evaluated as a positive attempt of decentralisation and territorialisation of development activities, the way they were implemented as well as their results leave much to be desired. Contracts became the objects of a political game. Signed at the end of the term by one government, and questioned by a subsequent one. It resulted in the suspension of their implementation, renegotiation, and extension of the term of their validity without changes in their budget. As a result, province contracts very quickly stopped to be perceived by a local government as a real commitment of the government. Due to their low value and the unilateral inclusion by the government of projects lacking a pro-development character<sup>7</sup>, contracts were marginalised. They became instruments of immediate regulation of the flow of targeted subsidies financed by public means from the state budget to regions. Moreover, they were reduced to the tools parallel to the sector intervention of ministries, further activity of targeted subsidies and a growing inflow of European means, scheduled and spent outside the contract. It strengthened a superficial, not a real position of province contracts in the first period of their implementation in Poland (Churski 2008).

The strong points of the first contracts include the innovative character of their assumptions, which allows treating them as development-stimulating instruments of great potential. As one of

<sup>6</sup> Distribution of means considering three criteria: 80% of demographic potential, 10% of the GDP level (preferring economically weaker regions), 10% of the unemployment rate (preferring unstable labour markets).

<sup>7</sup> Province contracts included the continuation of central investments blocked in the last stages of the communist system due to huge deficit in the state budget in the 1980s. The government, in an unjustified manner, described them as 'multi-year investments of territorial government'. The share of these kinds of projects in financing first province contracts in Poland reached 70% for the 2001–2003 contracts and 50% for the 2004 contracts.

the representatives of regional authorities states: "...The basis for the operation and influence was the partnership of objectives established between contract parties, i.e. government, local government and final beneficiaries of a contract. The emerging conflict of interests, different views and approaches to solving specific issues, were clarified and established at the stage of negotiations. During the process of contract implementation, however, the parties shared a common aim, i.e. the most effective spending of received public funds and the realisation of agreed specific tasks...". Province contracts, in spite of their relatively low budget, made it possible to "practise" the planning procedures and the implementation of an intraregional policy. In the respondents' opinion "... adopted formula of province contract implementation aimed at the institutional, substantive and practical preparation of administrative structures for the absorption of large allocations from Structural Funds and complying with existing, rigorous rules in the management of projects. The contract was a unique transition period in the preparation for the Polish accession to the European Union for the absorption of a large amount of Union funds...". Nevertheless, it does not change the fact that province contracts, despite their correctness regarding the assumptions, were characterised by many operational weaknesses. Their greatest faults indicated as well by the representatives of regional authorities were: uncertainty and changeability, lack of exclusivity resulting in the parallel sector intervention of particular ministries, the low budget specified in an annual cycle and no real partnership in contrast with a clearly privileged position of the government which very often added accidental investments to a contract, including those unjustified in terms of territorial specifics of a given region.

### **Changes in the system of regional contracts during the first years of the Polish membership in the European Union (2004–2013)**

#### **2004–2006**

Poland's accession to the European Union on May 1, 2004 forced changes in the functioning

of the national regional development policy (Pyszkowski 2001; Szlachta 2001, 2005). A new, fully consistent with the Community's standards, model of the development policy was set out in the Act of April 20, 2004 on the National Development Plan (Journal of Laws no. 116, item 1205 and 1206). Implemented changes concerned province contracts as well. In accordance with new regulations, they became an instrument for the redistribution of state budget means intended for co-financing in the regions with development intervention financed from the Structural Funds and the Cohesion Fund, and for the financing of activities realised only by national public means. It started the division of contract means (functioning to a certain extent also now) into a part connected with co-financing of regional operational programmes implemented as the support for the Community cohesion policy with the state budget means (the European part) and a supplementary part of the development subsidy involving financing development investments in regions (the national part) from the central budget by the government. As a result, already in the assumptions specified in statutory regulations, new province contracts were an instrument of transfer of public means rather than an instrument for the planning and implementation of development intervention. The new regulations deviated from the obligatory preparation of the Support Programme by the government, in which place a targeted subsidy was adopted in the state budget, intended for the co-financing of operational programmes including regional ones by the central budget. Thus, territorialisation of activities determined in the Support Programme was limited to territorial differences in the amount of allocations in the pattern of regions taking into account Berlin algorithm principles. The contract in a changed form became at the same time an agreement concerning the support for the government in co-financing a regional intervention of European funds provided by the implementation of the Integrated Regional Development Operational Programme (IRDOP) and the regions' use of targeted subsidies from the state budget provided outside European means. In this scheme, during the first period of the Polish membership in the European Union (2004–2006), province contracts for 2005–2006 were concluded.

Table 2. Means spent under province contracts in the first years of the Polish membership in the European Union (2004–2006) (in million PLN).

Voivodeship	European means for implementation of IRDOP (European part)	2005–2006 province contracts (national part)
Dolnośląskie	961.64	111.33
Kujawsko-pomorskie	610.23	66.78
Lubelskie	864.29	54.44
Lubuskie	354.98	29.09
Łódzkie	675.52	82.88
Małopolskie	796.62	87.97
Mazowieckie	1,289.31	336.50
Opolskie	330.04	51.89
Podkarpackie	826.30	79.97
Podlaskie	472.51	38.82
Pomorskie	686.21	89.51
Śląskie	1,203.83	121.66
Świętokrzyskie	572.24	41.97
Warmińsko-mazurskie	782.37	74.41
Wielkopolskie	842.92	71.76
Zachodniopomorskie	601.85	67.30
Total	11,870.86	1,406.28

Source: own study on the basis of unpublished data of regional self-government and *Report on development and a regional policy* (2007).

In the part concerning development subsidies financed from the state budget, their average annual value was a little over 1/3 of the average annual budget of the contracts from the first edition (2001–2003), and the total expenses were slightly above 1.4 billion PLN (*Report on development...*, 2007) (Table 2). The amount of spending was very close to the value of the state budget outlay provided within the IRDOP co-financing whose total budget was over 17.5 billion PLN. Those proportions confirmed the limited significance of the ‘national part’ of province contracts resulting from the fact that the Polish regional policy started to be dominated by European funds in the structure of financing its activities, as it is to the present day. It is worth remembering that in accordance with the assumptions, province contracts were supposed to become “... (in the so-called Polish-Polish part) ... a unique alternative for IRDOP; an alternative admittedly much more modest in a financial aspect, but much friendlier as a procedure. A targeted subsidy for which a beneficiary could apply within the contract used to be more accessible and did not have to meet numerous complicated requirements. The body implementing the contracts, i.e. the Ministry of Regional Development, assumed that the contracts would become the supplement to IRDOP; they created an opportunity for the

projects which did not definitely qualify for EU support, but were important at the same time – in terms of the development policy as well – that they found their place among those possible to be financed by the state budget...” (*Analysis of the implementation...*, 2007: 11).

The practice of the use of the 2005–2006 province contracts turned out to be more complicated and verified the adopted assumptions negatively. Institutional imperfections, a highly limited budget and a character imposed by the government rather than negotiated<sup>8</sup> made it impossible to achieve the expected objectives. This situation is well reflected in the opinion of representatives of regional authorities, who maintain that the subsequent editions of province contracts were burdened with growing flaws.

<sup>8</sup> The 2005–2006 province contracts sustained the implementation of ‘multi-year investments of territorial government’. Additionally, a subsidy from the state budget for the construction of the Warsaw subway was included in its budget despite objections raised by the Convention of Marshals. They were also used to share the means of targeted subsidies, e.g. for the construction and modernisation of sports infrastructure in rural areas. Thus, the contract was reduced to the role of the government instrument for regional division of relatively modest means of the targeted reserve of the state budget marginalising the role of local authorities in this process.

First, the government did not meet the statutory deadlines again. It is well illustrated by the publication of the resolution of the minister in charge of regional development, determining the model of a contract and an application of voivodeship authorities to the government for financing Regional Operational Programmes (ROP) which would be delayed by nearly a year in relation to the date at which the act will be effective. Second, 'free' means at the disposal of voivodeships for their own development targets were eliminated. Third, practising the principle of the automatic inclusion of each ministerial investment subsidy for local governments into the contract, in the part concerning the use of state budgetary means for financing development-related measures in regions, this instrument was reduced to a list of this type of investments mostly drawn up unilaterally by the government. In one of the respondents' opinion, "... this entire mechanism practically meant that every investment subsidy for local governments was automatically included into the contract's tasks. Thus, the contract became a list of investments in voivodeships, financed or co-financed in voivodeships, the implementation of which was decided outside the contract structure ...".

### 2007-2013

The first full period of Poland's membership in the European Union 2007-2013 resulted in subsequent changes (Grosse 2007; Churski 2008). While in the years 2004-2006 government and local government activities aimed to maximise the value of the absorption of the Community's cohesion policy means, the preparation for the 2007-2013 budget perspective should be considered qualitatively better and directed to improve the effectiveness of undertaken activities including the arrangement of the institutional background of the Polish development policy. The basis for these changes was a new Act of December 6, 2006 on the principles of conducting development policy (Journal of Laws 2006 no. 227, item 1658). It provided a foundation for building a new model of the development policy in Poland whose starting point was to clarify the existing situation characterised by the excessive number of contradictory strategic and programme documents. Within these activities,

changes in the functioning of regional contracts were also planned.

During the transition period, in July-September 2007 for the last time the government concluded the agreements concerning province contracts which were still based on the Act of April 20, 2004 on the National Development Plan (Journal of Laws no. 116, items 1205 and 1206). Their continuation was necessary to finish all the activities resulting from the 2004-2006 IRDOP whose implementation in accordance with the principle N+2 was to come to an end in 2008<sup>9</sup>. Except for the part that guarantees co-financing with European means within IRDOP, the contracts in the 'national' part contained all the imperfections indicated earlier, continuing central investments delegated to local government units<sup>10</sup> and assuming the implementation of projects identified in the budget law, including road investments, support for the extension of regional airports and others. In comparison with previous contracts, the value of this support was very low and amounted only to 591.6 million PLN.

In order to meet the requirements for the absorption of European outlays, which in the 2007-2013 perspective were increasing, in 2008 the government prepared agreements with regions in the form of province contracts whose time horizon was consistent with the implementation of the operational programmes of this EU budget perspective. They were based on the Act of December 6, 2006 on the principles of conducting development policy (Journal of Laws 2006 no. 227, item 1658), which defined them as agreements on co-financing an operational programme with state budget means, national targeted funds or foreign sources, concluded between the minister in charge of regional development and voivodeship authorities under the conditions laid down by the Council of Ministers and available in the form of a so-called development subsidy. They were founded on the standardised model of an agreement form. It included provisions restricted only to arrangements concerning the financial package ensuring co-financing of the implementation of the operational programmes realised within the Community's cohesion policy with national

<sup>9</sup> It was finally completed in June 2009.

<sup>10</sup> See footnote 5.



Table 3. Means spent in province contracts in the period 2007–2013 (in million PLN).

Voivodeship	European means for implementation of ROPs (European part)	Co-financing of ROPs from state budget means (national part)
Dolnośląskie	5,332.79	170.77
Kujawsko-pomorskie	4,283.03	231.50
Lubelskie	5,129.22	264.06
Lubuskie	2,125.73	109.61
Łódzkie	4,497.90	320.63
Małopolskie	5,830.21	396.76
Mazowieckie	8,034.99	487.10
Opolskie	2,113.22	124.40
Podkarpackie	5,154.78	349.46
Podlaskie	2,891.93	323.64
Pomorskie	4,035.03	147.70
Śląskie	7,512.55	245.71
Świętokrzyskie	3,308.97	126.58
Warmińsko-mazurskie	4,603.37	247.70
Wielkopolskie	5,730.07	299.41
Zachodniopomorskie	3,710.07	274.43
Total	74,293.87	4,119.44

Source: own study on the basis of unpublished data of Ministry of Development.

public means (belonging to the government and local governments). The province contract in this form leaves out other issues including the territorialisation of the intervention of the development policy together with the needs and challenges of specific regions. Thus, on the one hand, the role of province contracts was limited to the agreement between the government and regional authorities concerning the regional distribution of European means and co-financing of the development intervention whose main financial sources are Structural Funds and the Cohesion Fund from national public means (Table 3). On the other hand, however, as they were included into European budget means, their value increased substantially and reached over 74 billion PLN in the part financing regional programmes from European means and over 4 billion in the part co-financing these programmes from the state budget means. Yet, the values obtained for particular regions resulted to a lesser extent from the identification of development opportunities and barriers as well as the adjustment of a targeted intervention, and were to a greater extent the consequence of agreed national allocations, including their regional division in accordance with the Berlin algorithm applied all the time (Appendix 1).

### Regional contracts and the challenges of a new state development policy (2014–2020)

The experience of the preparation, implementation and evaluation of the results of the intervention of province contracts was indicative of the need for a change. As early as at the building stage of the new model of the development policy whose principles were laid down by the Act of December 6, 2006 on the principles of conducting the development policy (Journal of Laws 2006 no. 227, item 1658), the government decided to change the contract which was superficial in nature, giving it a real value. As it was necessary to comply with the restrictive principles and with the calendar of the European cohesion policy, it was decided to prepare the changes in question for the operational needs of the 2014–2020 European budget perspective. The new instrument was labelled a 'territorial contract' in order to distinguish it from the existing one which was critically evaluated. The process of the elaboration of its details started in strategic and programming documents which constituted a framework for the new model of the Polish development policy determined

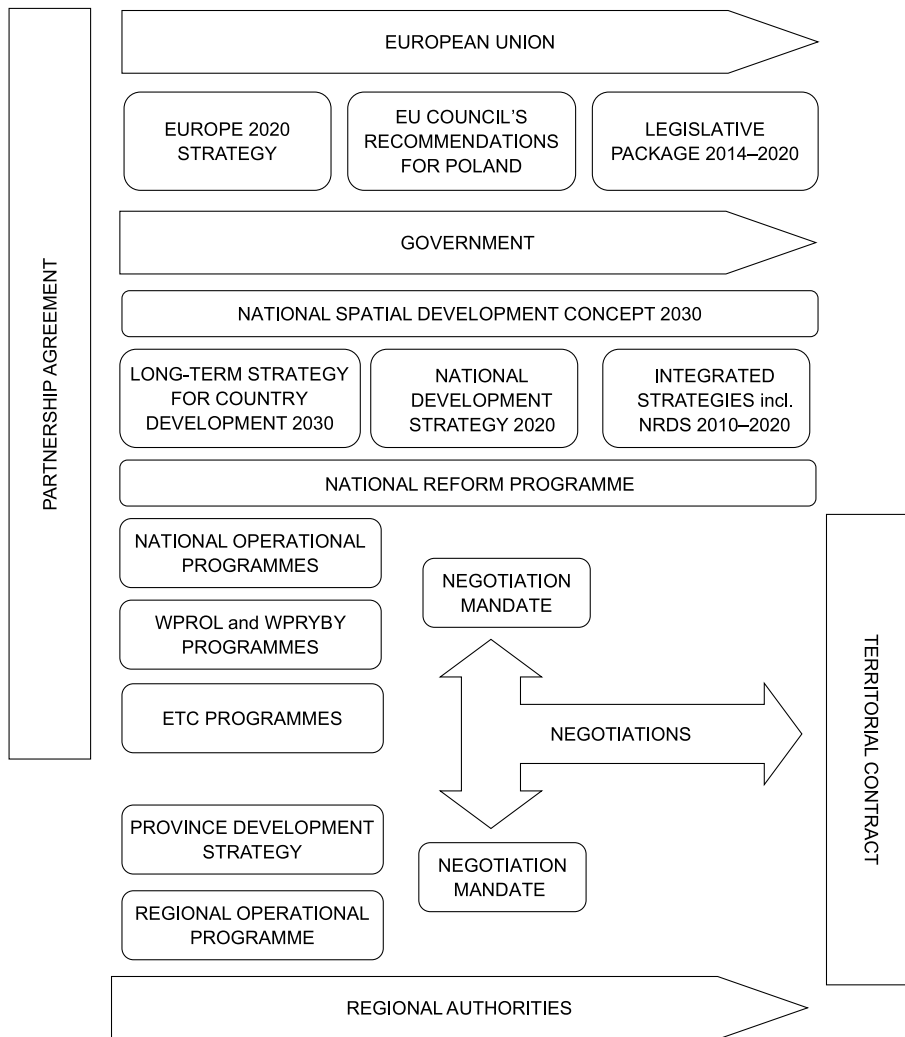


Fig. 2. Operating model of territorial contracts in Poland.  
Source: own study.

by the implemented act which is still in force (Journal of Laws 2006 no. 227, item 1658) (Fig. 2). As a result, the 2010–2020 National Strategy for Regional Development (2010)<sup>11</sup> assumed that in order to break institutional limits and improve the efficiency of the Polish regional policy it is essential that new territorial contracts be prepared. They are to become an instrument for “...co-ordination of pro-development activities undertaken by the government and local government targeted at achieving common objectives established in relation to the area defined in it. This instrument guarantees a better adjustment of sector intervention to regional needs through the

confrontation of national priorities with regional expectations and conditions. This is supposed to be achieved by the establishment of territorially oriented intervention, implemented by particular departments at the national level, as well as through the contract negotiation process at the regional level...”. (*National Strategy...*, p. 181).

The contract defined in such a way is going to ensure the direction of self-government’s projects in accordance with the national development policy, identification and location in the area of the government’s projects consistent with the character and needs of a given area and the implementation of complementary projects by local governments in relation to the received government intervention (Orębski 2015). It was assumed that the implementation of the new contract must be related to a review of continuously operating targeted funds and the limitation of

<sup>11</sup> The most important strategic document in the new model of the Polish development policy determining the assumptions of the territorialisation of activities and their implementation methods.

their number as well as the necessary inter-departmental arrangements in order to restrain sectoral intervention granted outside the contract. A very important assumption of new contracts is an unambiguously expressed territorial dimension which is formalised through the implementation of the arranged priority projects between the government and local government, located in the assigned areas of strategic intervention within regions' borders whose results and impact are significant in terms of the characteristic development needs of a given area. New contracts, as a rule, are concluded for a minimal period of three years in the maximum compatibility with the period of programming means of the Community's cohesion policy and with the assumption of a necessary overhaul and actualisation in accordance with changing internal and external conditions. Their legal basis are introduced by the Act of January 24, 2014 on the amendment to the Act on the principles of conducting development policy and to some other acts (Journal of Laws 2004, item 379). In accordance with Article 5(4c) of the Act "... a territorial contract becomes an agreement determining objectives and priority projects, which are significant for the country's development and an indicated voivodeship, the way they are co-ordinated and the conditions of their implementation as well as financial support of the programmes serving as the realisation of a partnership agreement in terms of the cohesion policy developed by voivodeship authorities...". The Act specifies that the basis for the conclusion of the contract is the development of two negotiation strategies (Fig. 2). On the government's part it is prepared by the minister in charge of regional development with ministers in charge of the contract and then submitted for the approval to the Council of Ministers. In local governments, it is worked out by voivodeship authorities, submitted for opinions to local government units which these activities relate to, and then it is adopted as a resolution. Negotiations are conducted on the basis of such prepared positions. As a result, the Council of Ministers and voivodeship authorities adopt the agreed contract, which leads to its possible conclusion. The scope of a territorial contract is defined by Article 14 of the Act (Journal of Laws 2004, item 379), which includes:

- designation of the voivodeship in question,

- objectives to be achieved, priority projects and conditions for their implementation in accordance with the objectives resulting from development strategies, their realisation period with the indication of expected results of priority projects,
- its financing sources,
- its scope and reporting mode,
- the way in which the minister in charge of regional development controls and monitors its implementation,
- the way and verification conditions of the implementation of priority projects,
- conditions of its changes,
- conditions and ways of its termination.

The integral part of the contract determines the amount, method and conditions of co-financing the programmes for the implementation of the Partnership Agreement in terms of the cohesion policy, developed by voivodeship authorities. The government and Polish regions signed new territorial contracts in the period from September to December 2014. Their value in the part financed by the EU and state budgets exceeds 139 billion PLN, which has been the highest amount in the history of Polish regional contracts so far (Table 4). The regional differences in this allocation are still submitted to the Berlin algorithm. It is worth noting that the European part of the territorial contract almost doubled in relation to the 2007–2013 perspective, which is accompanied by co-financing from the state budget means at a level similar to the former one. It should be emphasised that such a significant increase in contract budgets in the European part promoting the intra-regional policy resulted to a larger extent from changes in the principles of the EU cohesion policy than from changes in the Polish development policy. These large allocations caused a reduction of the differences in their per capita value in the regional pattern (Appendix 1).

Evaluating new types of contracts the representatives of regional governments pay attention to their advantages and disadvantages. In relation to positive aspects, they claim, *inter alia*: "... among the basic advantages of the contract is that the local government gained the opportunity to present its development problems and challenges, expectations concerning their support, and also a greater influence (in a limited scope) on the process of planning and creating the national

Table 4. Indicative budget of territorial contracts in 2014–2020 (in million PLN).

Voivodeship	European means for implementation of ROPs (European part)	Co-financing of ROPs from state budget means (national part)
Dolnośląskie	9,685.95	307.07
Kujawsko-pomorskie	8,185.22	246.98
Lubelskie	9,593.12	348.17
Lubuskie	3,899.80	121.75
Łódzkie	9,701.01	371.52
Małopolskie	12,376.33	479.23
Mazowieckie	8,986.31	362.90
Opolskie	4,063.36	141.42
Podkarpackie	9,091.25	317.27
Podlaskie	5,218.46	166.10
Pomorskie	8,018.69	276.41
Śląskie	14,950.83	514.56
Świętokrzyskie	5,867.54	196.87
Warmińsko-mazurskie	7,431.57	259.98
Wielkopolskie	10,535.89	375.05
Zachodniopomorskie	6,885.33	211.24
Total	134,490.66	4,696.52

Source: own study on the basis of unpublished data of Ministry of Development.

development policy...". They also notice, however, the important vices of suggested solutions, which are, *inter alia*: "... lack of a genuine and real process of negotiation, asymmetry between the parties of the contract to the benefit of the government, lack of clear rules and principles of financing 'contractual' tasks, no clear procedures of placing tasks in the contract, too many details and complexity, lack of consistency in the implementation of adopted arrangements, lack of clear preferences for the tasks described in the contract concerning the selection of the projects seeking support from national or regional operational programmes...". As a result, a 'new opening' of regional contracts in Poland does not fully correspond to the expectations of local governments according to which an optimal model of the contract should be based on an instrument coordinating development policies and territorialising horizontal policies, including sector ones, being the source of synergy and the added value resulting from it, in which a local government would have real financial empowerment based on the free disposition of development budget relevant to the needs. However, the maintenance of the principle in which majority of resources are assigned to specific activities, the direction of investment or particular investments in new contracts, contradicts the idea of the announced fundamental change and a 'new opening'.

## Conclusions

The conducted analysis unequivocally states that the implementation of the regional contract in Poland, despite correct assumptions, encounters a lot of obstacles and consequently produces limited results. The reasons that lie behind the situation can be divided into two basic categories: financial and institutional. In the first one, the basic restraint is the amount of available means from the state budget which can and should be allocated to pro-development activities. Negative macroeconomic conditions occurring in the first stage of the functioning of contracts and related to the high budget deficit and a slow economic development rate as well as the amount of European public funds (growing throughout the whole analysed period) available under the Community's policies contributed to the limitation of the national part of their budget. This fact influenced their marginal and declining importance in the programming and implementation of development activities in Poland. The 2020 Plus Perspective, when almost half of the Polish regions have reached the development level corresponding to regions in transition<sup>12</sup>, is in this case

<sup>12</sup> In accordance with the present EU terminology, regions in transition are NUTS 2 units whose development level measured by per capita GDP is higher

a serious challenge. It requires a systematic increase of national public means for pro-development activities which should result in an increase in the values of contracts in the 'national' part and will contribute to their higher importance in the programming and implementation of development activities in Poland. The second category of obstacles is related to institutional conditions. They concern a division of powers between the governmental and regional levels, very hard to negotiate, which is even harder due to the present trend to centralise powers as part of the creation of fundamental principles of a 'strong state' (*Strategy for Responsible Development 2016*). They also include a strong politicisation of contracts, which is increasingly difficult to be explained by the 'youthfulness' of Polish democracy. They resulted in the violation of obligations and radical changes on the part of subsequent governments. This led to a situation in which the regional government does not regard the government as a reliable partner keeping to the agreed arrangements. The problems in question require urgent settlements and changes which will ensure the increase in the quality of institutional factors determining to a greater extent contemporary development processes.

Currently, the update on the range of territorial contracts is in progress, which results on the one hand, from the change of the Polish government in the Autumn 2015 and the commencement of the update on strategic and programme documents including the preparation of a new, medium term strategy for national development known as the Strategy for Responsible Development (2016), and on the other hand, from entering into force the last amendment to the Act of December 6, 2006 on the principles of conducting the development policy following the Act of July 7, 2017 on the principles of the implementation of the programmes within the cohesion policy financed in the 2014–2020 financial perspective and some other acts (Journal of Laws 2017, item 1475). Pursuant to the amendment in question, as at September 2, 2017, the territorial contract,

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than 75% and lower than 90% of the EU average. In their case the co-financing level of the cohesion policy intervention on the part of a beneficiary is 40% in relation to 15% in less-developed regions (GDP lower than 75% of the EU average), which include 15 of the 16 Polish regions in the 2014–2020 perspective.

next to the objectives to be achieved in the area of a given voivodeship, must include, among other things, next to the list of priority projects and potential sources of their financing, a list of the projects co-financed under the programmes serving the implementation of the Partnership Agreement within the cohesion policy, or the projects financed with the state budget, or the budget of a territorial unit, making it possible to implement a given priority project, the identification of which will be validated by the minister in charge of regional development and voivodeship authorities. The introduced changes may contribute to the contract specification. Maintaining partnership in the arrangement of projects and departing from a bad practice of imposing them at the national level may lead to expected results.

On the basis of legal changes in question, new strategic documents and publically expressed declarations one may state that the new government and the Ministry of Development are determined to maintain territorial contracts in the Polish model of the development policy. Within the planned process of their update they intend to strengthen their positions and effectiveness. The changes, next to already introduced regulations, should include the most important postulates proposed by the local government and experts of the regional policy. These are, *inter alia*:

- improvement in the level of financial empowerment of the Polish regions through an increase in the share of 'free' means available for independent distribution by the local government without the limitation of payments, subsidies and for a precise assignment of means to specific investments by a donor,
- separation or exclusion from the territorial contract of the part concerning regional operational programmes, increasing at the same time the importance of the development part, which should be the subject of flexible, targeted and territorially integrated intervention accompanied by a limited number of regulations at the European and national levels, negotiated by the government and local governments (including those in the form of Integrated Development Plans for particular areas),
- liquidation of asymmetry in the negotiations between the government and a local government in terms of arranging the scope of co-financing regional operational programmes

from the state budget means implemented within the Partnership Agreement, which strengthens local governments,

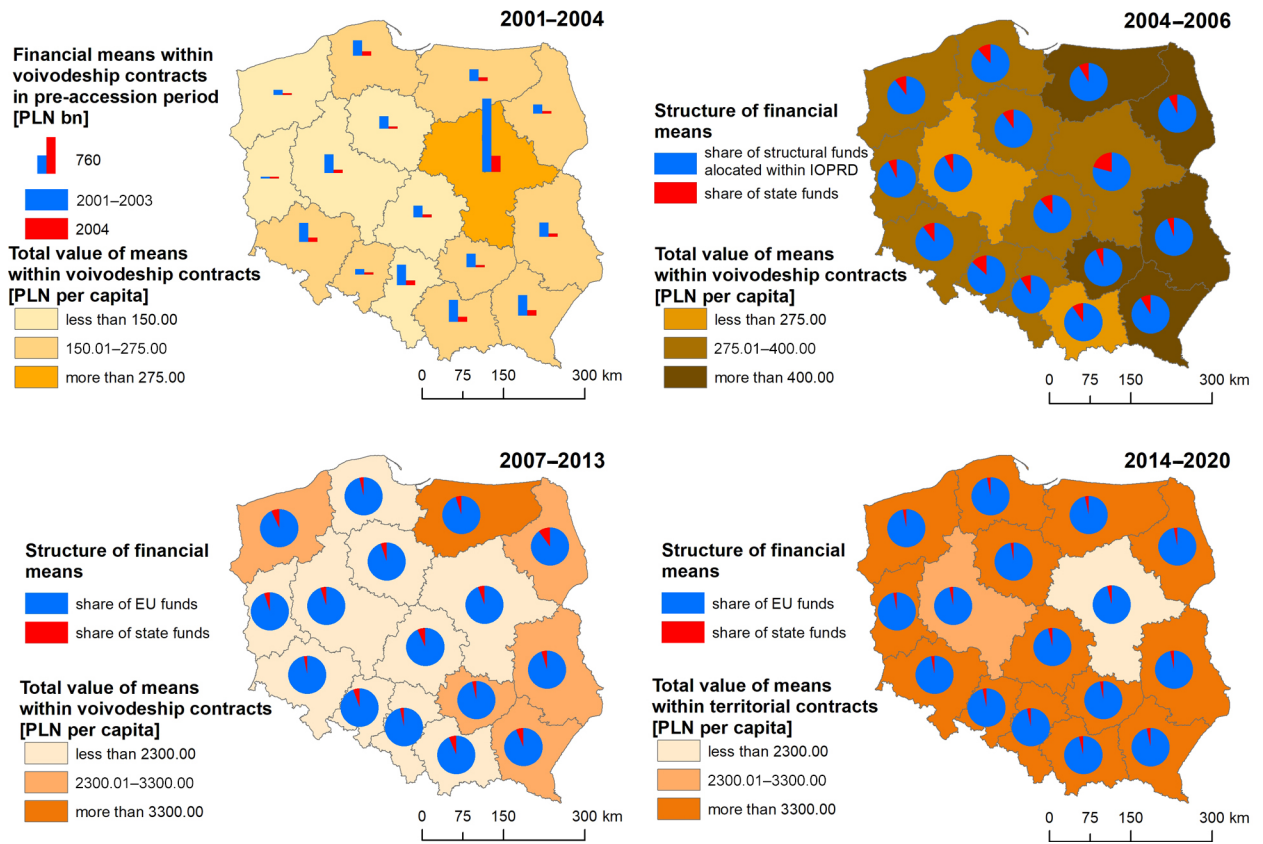
- assertion of actual negotiations of the list of priority projects which should constitute to a greater extent joint projects of the government and local authorities, and cessation of automatic and one-sided creation of this list by the government in accordance with the scope of the implementation of central investment plans within regions,
- greater possibility of the realisation of priority projects by their subject and financial specification as well as the implementation of a preferential grading scale or an implementation mode not dependent on competition included in the provisions of the Partnership Agreement,
- limitation or elimination of sectoral intervention, parallel to the contract, managed by particular ministries and targeted funds still functioning within the allocated state budget means.

If these challenges are met, the reality of a 'new opening' of contracts will be fully justified, which can determine the future success of the Polish development policy. It is crucial for the increase of its effectiveness, both in the current programming perspective and after 2020 when almost half of the Polish regions reach the development level of transition regions and the importance of the Community means declines for the necessity of the greater engagement of national resources. In these new conditions the territorialisation of the development policy, following its present trends (Bremmer 2010; Pugalis, Gray 2016), will be absolutely essential and the effective functioning of its instruments, which the Polish territorial contract is the part of, will be a boundary condition for the full achievement of the expected objectives.

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Appendix 1. Regional differences in the allocation of province and territorial contracts in the years 2001-2020.  
 Source: own study on the basis of unpublished data of Ministry of Development and regional self-government.