



MINISTRY OF REGIONAL DEVELOPMENT

# NATIONAL DEVELOPMENT STRATEGY 2007-2015



Warsaw, November 2006



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# Table of contents

I. INTRODUCTION	5
II. CONDITIONS AND PREMISES OF THE COUNTRY DEVELOPMENT	9
1. SOCIAL AND ECONOMIC SITUATION OF THE COUNTRY	9
2. POLISH SPECIFICITY – ADVANTAGES AND WEAK POINTS	13
3. POLAND IN THE WORLD AND IN THE EUROPEAN UNION – OPPORTUNITIES AND THREATS	19
4. BASIC DEVELOPMENT DILEMMAS	22
III. VISION OF POLAND UNTIL 2015	25
IV. MAIN GOAL AND PRIORITIES OF THE STRATEGY	29
PRIORITY 1. GROWTH OF COMPETITIVENESS AND INNOVATIVENESS OF THE ECONOMY	25
PRIORITY 2. IMPROVEMENT OF THE CONDITION OF THE TECHNICAL AND SOCIAL INFRASTRUCTURE	41
PRIORITY 3. GROWTH OF EMPLOYMENT AND RAISING ITS QUALITY	51
PRIORITY 4. BUILDING AN INTERGATED SOCIAL COMMUNITY AND ITS SAFETY	59
PRIORITY 5. DEVELOPMENT OF RURAL AREAS	67
PRIORITY 6. REGIONAL DEVELOPMENT AND RAISING THE TERRITORIAL COHESION	73
V. CONDITIONS OF REALIZING THE STRATEGY'S GOALS	82
VI. FINANCING	93
VII. SYSTEM OF REALIZING THE STRATEGY	97
APPENDIX 1. BASIC NATIONAL DEVELOPMENT STRATEGY IMPLEMENTATION INDICATORS – GENERAL TABLE	101
APPENDIX 2. RELATIONS OF THE NATIONAL DEVELOPMENT STRATEGY WITH OTHER STRATEGIES AND PROGRAMMES	103
APPENDIX 3. EVALUATION OF THE SOCIO-ECONOMIC AND SPATIAL SITUATION OF POLAND	107
1. HORIZONTAL LEVEL	107
2. REGIONAL LEVEL	134
3. THE INSTITUTIONAL AND REGULATORY SYSTEM	136
4. NARROWING THE DEVELOPMENT GAP BETWEEN POLAND AND THE EUROPEAN UNION	138
APPENDIX 4. PRINCIPLES OF THE STATE REGIONAL POLICY	143
APPENDIX 5. CHARACTERISTICS OF VOIVODSHIPS	147





# INTRODUCTION

## I

Poland faces a great chance of fast development and an opportunity of a significant improvement in the level and quality of living of its residents. This depends only on us, on our entrepreneurship, diligence and talents of the Polish people and on an effective policy of the government. Poland – a country with great development backwardness in relation to most of the European Union states, which wants to develop dynamically, needs a vision and strategy of development, which indicates and organises the goals and priorities in a medium-term perspective.

*Poland needs a vision and strategy of development*



During the last sixteen years of the political transformation Poland has fundamentally changed its face: democratic rules of the state's functioning and the market economy were introduced, it opened to the international competition, the old fields of economy are being reorganised and the new, modern ones are developing dynamically. Poland's accession to the European Union was preceded by conducting a range of structural and institutional reforms. However, in addition to positive social and economic

*The economy is changing its face, but some problems persist*

changes, there are also negative phenomena, such as a periodical low pace of the economic growth, small progress in modernising the structure of the economy, a still low competitiveness and innovativeness of the economy. This is one of the reasons of the high unemployment and its attendant social problems. Therefore we need a vision of the further development of the country and creation of conditions to achieve it. Further changes are also needed which will strengthen the Polish economy's position in the European Union and in the world. The condition of the economy will be a result of, first of all, an effective economic policy of the state, that is activities and initiatives, which will enable Polish companies to develop on the Polish market and to expand on the Common European market and the world market. A long-term economic policy will aim at accelerating the growth, a significant increase of employment and rising the competitiveness and innovativeness of the whole economy and individual regions of the country.

*We must use our advantages and meet the expectations*

The level and quality of living of the residents will be to a large extent influenced by Poland's membership in the European Union, a broadly understood economic, scientific and technologic cooperation. In response to the globalisation process and challenges posed for Europe by the renewed Lisbon Strategy, Poland must have at its disposal a modern development policy which will allow to bridge the development gap between Poland and the richer EU states. This policy should use those features of the Polish economy and the Polish society that constitute a source of opportunities for our country, that is first of all a great number of young and well educated Poles, high entrepreneurship of the Polish society, and also a large domestic market. The development policy will be based on a consistent building of a society and economy based on knowledge and entrepreneurship, without which it is impossible to reach goals of developing our country. At the same time such a policy must take into consideration the fact that Poland is one of the poorest states of the expanded European Union, has the lowest in the European Union employment rate of people in the productive age and the highest unemployment rate. This policy will also prevent deepening of the disproportions in the level of development of individual regions of Poland, so that to avoid marginalisation of the ones developing at the slowest pace. The policy of the long-term economic growth will take into consideration the growth of employment and reduction of the unemployment rate.

The modernisation effort that Poland must undertake is a challenge for all citizens, for the government and the local authorities, non-governmental institutions, enterprises, educational and scientific institutions. No-one will do that for us, because only societies determined to meet these challenges, resulting from the necessity of making a constant reorganisation, can be successful. Poland's membership in the European Union radically increases its chances for success, as it brings fundamental economic, social and political benefits, and also it enables financing a significant part of the development expenditures from the EU budgetary funds.

*An efficient institutional and regulatory system is the basis of success*

Creating proper development conditions, and first of all an effective institutional and regulation system is of a fundamental significance for the civilisational advancement of Poland. According to the philosophy of the Lisbon Strategy, the European Union's economic success in a globalising world depends first of all on its system competitiveness, that is on

deregulation activities, structural reforms, and in particular on the improvement of the microeconomic framework of the economy. The competition between the leading world economies is first of all a competition among institutions that is such legal and regulatory framework of the economic life which will assure the most effective usage of available resources. The state cannot give up the role of a regulator of economic processes, because it is the quality of the institutional and regulatory environment that the competitiveness of the economy in the globalising world to a large extent depends on. In the coming years Poland must undertake an essential effort in order to introduce changes of system rules in the economy, so that conducting a business activity is easier and cheaper, which will create favourable conditions for the improvement of the situation on the job market.

A modern development policy is necessary for a rational exploitation of opportunities arising from Poland's membership in the European Union. The scale of available EU financial resources for the years 2007-2013 is incomparably greater than that in the period of 2004-2006, and the support that the European Union will offer to Poland is the greatest support that so far any member state has received from the EU budget. At the same time the broadening participation of Poland in the community policies and in the Common Market opens before our economy new, broad prospects. It is a unique opportunity for a comprehensive development for our country that we cannot waste.

*Support from the  
EE a unique  
opportunity for  
development*

What is National Development Strategy 2007 – 2015?

National Development Strategy 2007-2015 (NDS) is the principal strategic document defining the goals and priorities of Poland's social and economic development and the conditions that should ensure this development.



The strategy defines goals and identifies areas recognised as the most important from the point of view of achieving these aims, on which the state's activities will be concentrated. At the same time it takes into consideration the most important development trends of the world economy and the goals that the European Union sets in the renewed

Lisbon Strategy. NDS gives priority to activities that will be undertaken in the years 2007-2015 in order to fulfil the vision of Poland.

The document was prepared taking into consideration the principle of sustainable development that is keeping the balance between the economic, social goals and the environmental requirements.

*NDS is the point  
of reference for  
other strategies  
and programmes*

The National Development Strategy is a principal, long-term strategic document of the social and economic development of the country, constituting a reference for other strategies and governmental programmes, as well as for the programmes prepared by units of local self-government. NDS is the basic premise for the National Cohesion Strategy (National Strategic Reference Framework), the National Strategic Plan for 2007-2013 Rural Development and National Strategic Plan for Fisheries and the operational programmes resulting from it. The time horizon of the Strategy covers the period of the new financial perspective of the EU for the years 2007-2013 taking into account the rule of spending funds n+ 2 (i.e. within two successive years).

*Strategy for  
development and  
modernization of  
Poland*

NDS encompasses all development activities undertaken in order to improve the social and economic conditions. Its task is a courageous, but at the same time realistic programming of development and modernisation of the country, with a special attention to the opportunities of using Poland's presence in the EU, and also all resources and advantages that the country possesses, for the development and improvement of the level and quality of life. NDS enables also integration and coordination of the cohesion policy with other policies co-financed from the community funds, such as Common Agricultural Policy and Common Fisheries Policy and with other national policies (these connections are presented in annex No. 2).

NDS constitutes a foundation of an effective usage by Poland of the development funds, both national ones and the ones from the European Union, for the achievement of the social and economic goals, and at the same time serves as a basis for multiplying the volume of funds by a higher and more effective economic growth. NDS's essential role is to coordinate the institutional and regulatory reforms with the activities financed from the EU funds, so that by the synergy effect these two areas of the economic policy bring the highest pro-development result possible. Therefore an important task is to assure the most efficient usage of the available funds.

*Needed social  
support*

The government will undertake any possible activities in order to attain the highest social support for NDS, among others by conducting social consultancy of the document itself and its promotion. Getting a social support is essential for the successful realisation of the Strategy. At the same time the government will aim at engaging in realisation of the NDS the social and self-government partners, non-governmental organisations, as well as the world of science and enterprises.

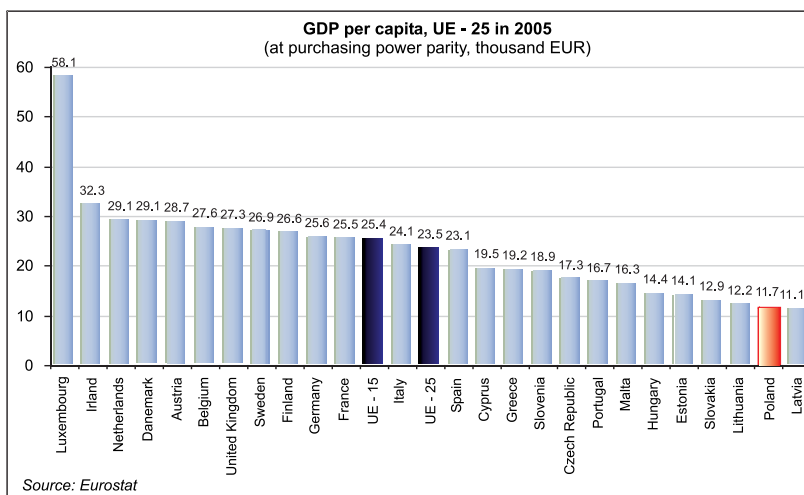
# CONDITIONS AND PREMISES OF THE COUNTRY DEVELOPMENT

## II

### 1. Social and economic situation of the country

After a significant slowdown of the dynamics of the economic growth in the years 2001-2002, the year 2003, and especially 2004 brought about a significant improvement of the economic situation. In 2004 the GDP growth stood at 5.3% - the highest rate in 7 years, which stemmed mainly from the "integration impulse" and resultant increase of domestic and external demand. In 2005 the pace of the economic growth was eased to 3.5%. GDP per capita, as expressed at the purchasing power parity, reached half of the EU-25 average (11.7 thousand EUR).

*GDP per capita  
reaches 50% of  
the EU average*



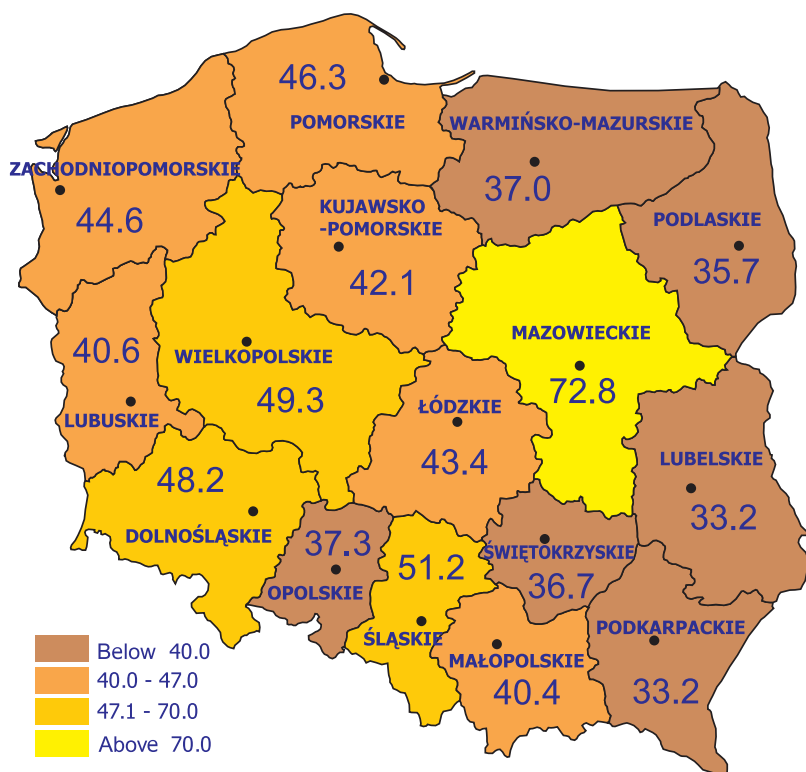
In 2006 there was a revival in the Polish economy. In the first half of 2006 GDP increased by 5.4%.

The highest level of development, measured with GDP per capita, is observed in the mazowieckie voivodship (155% of the country's average in 2003). GDP per capita of this voivodship stands at 72.8% of the EU-25 average and is close to the level of the poorest regions of European countries - e.g. some regions of Eastern Germany or southern Italy. The area of the lowest GDP

per capita covers five voivodships situated in the north-east and south-east part of the country: lubelskie, podkarpackie, podlaskie, świętokrzyskie and warmińsko-mazurskie. GDP per capita of the economically weakest voivodships constitutes 33-37% of the average GDP in the enlarged EU. The level of their economic development is clearly lower than that observed in the poorest regions of Greece, Portugal and Spain at the time of their accession to the EU.

## GDP

(at purchasing power parity)  
in voivodships per capita



UE-25 = 100

Poland in total 47.0

Source: Eurostat, data for 2003.

### *Growth of the role of investments*

The year 2005 was the second successive year of increase of the investments' role as a factor shaping the GDP dynamics. Gross fixed capital formation expenditure increased by 6.5%, but the investment rate in the national economy amounted to mere 18.2%, as compared to 23.7% in the year 2000. At present a strong revival in investment outlays is observed. In the first half of 2006 these outlays increased, over the first half of 2005, by 11.4%, i.e. at a rate unobserved since 1998.

While, evaluating the dynamics of investment processes we should pay attention to the fact that many manufacturing sector's enterprises increased their pro-development undertakings in the pre-accession period and straight after the accession (in total in the years 2003-2004 the increase of investments in this industry - in enterprises employing more than 49 persons - amounted to almost 34%), which enabled them to adjust to the norms and standards binding in the EU and to cope with the increased demand after the accession, mainly from the EU countries. In 2005 the investment growth rate in these enterprises was reduced to around 4.5%.

Transfer of the foreign capital in a form of direct investments creates favourable conditions for the growth of the pro-development activity. Poland is evaluated favourably as a place of potential investments. An advantage is, among others, a relatively low CIT tax rate and a cheap and skilled workforce. Foreign Direct Investments in 2005 reached 9.6 billion USD, and their accumulated value at the end of 2005 - exceeded 90 billion USD. In the first half of 2006 the inflow of Foreign Direct Investments reached already 5.8 billion USD, so it was greater by almost 25% than a year before.

Foreign trade continued to act as an essential factor of the economic growth, whereas - despite adverse currency exchange rate conditions - the dynamics of the export of goods for the sixth year in a row clearly outstrips the dynamics of their import. As a result there was a further reduction of the trade deficit. It was accompanied by beneficial changes in the structure of goods exported. In 2005, in comparison with 2004, exports (in a volume terms, in EUR) increased by 19.6%, while imports by 13.8%. During the last 5 years exports increased more than twice, and import by more than 50%. In the first half of 2006 there was a further increase of the dynamics of turnover, whereas exports increased, in comparison with the first half of 2005, by 24.2%, and imports - by 22.7%.

*Export - a permanent growth factor*

The tendencies in the goods trade were confirmed by the balance of payment data. The current account deficit to GDP ratio narrowed to 1.7%. So the year 2005 was the fifth, except for 2004, successive year of improvement in the external imbalances of the country.

In 2005 - despite a low, especially in the second half of the year, inflation - the dynamics of consumption, especially the individual one, clearly diminished (the increase was 1.8%, as compared to 4.3% in 2004). However, in the first half of 2006 its significant increase was observed (5.1%). As a consequence, the role of domestic demand as a growth factor increased once again.

The average yearly inflation in 2005 was 2.1%, as compared to 3.5% in 2004, staying within the limits of acceptable deviations from the inflation target, defined by the Monetary Policy Council (2.5%±1 percentage point). In the scale of the first half of this year it amounted to 0.7%.

*Low inflation*

With a significant inflow to the job market of young people in the last years (population in the productive age increased in 2005 by more than 165 thousand persons, i.e. in a scale unobserved in other European countries) and with the growth of demand for jobs, both the professional activity and employment remained on a low level, with a high - although declining - unemployment. Towards the end of 2005 employment offices registered almost 2.8 million of the unemployed, i.e. by 227 thousand less than a year before, and the unemployment rate lowered to 17.6% (from 19% at the end of

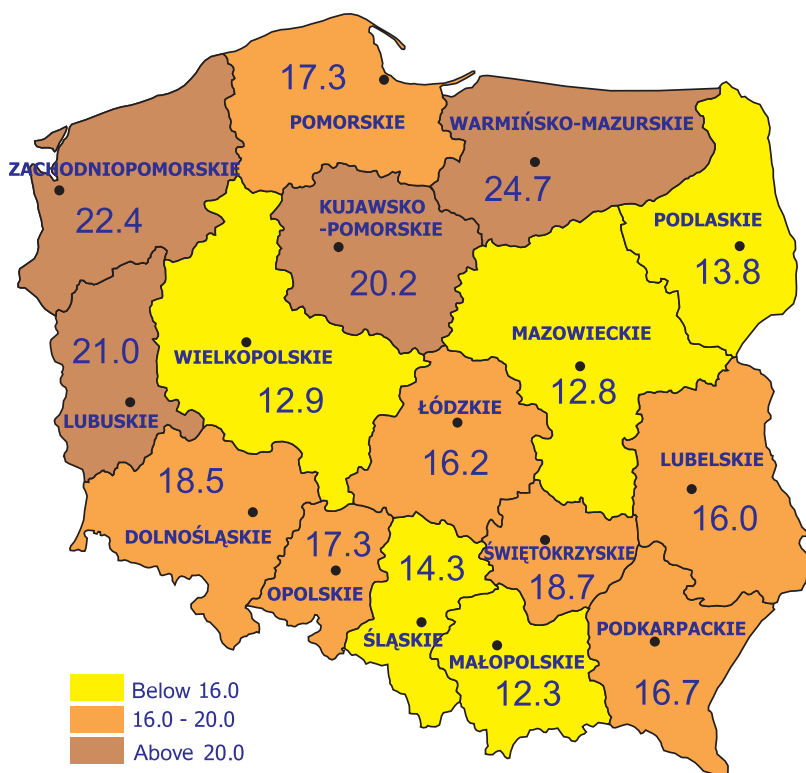
*Lowering unemployment rate*

2004). Despite that it was the highest among the EU-25 countries. In 2006 the growth of employment and fall of unemployment are even faster. Towards the end of the first half of this year the unemployment rate amounted to 16%.

The problem on the job market is a high, overt and hidden unemployment in the rural areas. As of the end of 2005 almost 1.2 million unemployed persons living in the countryside were registered. They constituted 42.6% of the total number of the unemployed. The General Agricultural Census indicated at the same time a significant surplus of persons working in individual agricultural farms.

At the same time a big differentiation of the unemployment rate between the voivodships is observed.

**Registered unemployment rate**  
as of the end of June 2006, (in %) by voivodships



**Poland - nationwide 16.0**

Source: CSO

The employment rate for the persons aged 15-64 amounted to 53.7% in the fourth quarter of 2005. The highest rate was observed in the following voivodships: mazowieckie (59.2%), lubelskie (57.5%) and małopolskie (56.2%) voivodships, and the lowest rate – in zachodniopomorskie (49.7%), śląskie, warmińsko-mazurskie and dolnośląskie (50.7% each) voivodships.

The Polish economy entered the boost stage; however its scale and sustainability will depend to a large extent on the fiscal policy. In the years 2001-2004 the ratio of the deficit of public finances to GDP fluctuated within the range 3.3 – 4.8% (according to the EU methodology), which to a great extent was caused by the structure of expenditures. More than 70% of them are „fixed” expenditures, legally determined ones. This limits the pool of budgetary resources which can be allotted to infrastructure investments, research and development, improvement of the quality of public services, active job market policy. The ratio of the public finances sector's deficit to GDP amounted in 2005 to 2.5%, as compared to 3.9% in 2004.

*„Fixed”  
expenses limit  
the development*

The result of a high deficit is – in conditions of declining privatisation revenues – increase of the public debt. Towards the end of 2005 the state public debt amounted to 47.7% GDP, and at the end of the first half of 2006 – according to the preliminary estimates it approached 50% of GDP, that is the first precautionary threshold, defined by the regulations of the Public Finances Act (according to ESA 95 this ratio is lower and in 2005 it amounted to 42.0% GDP).

## 2. Polish specificity – assets and weaknesses

As a result of a long-term transformation period Poland became a fully democratic country, with a functioning market economy and a growing position in the world. Nowadays we can use our membership in the EU, our participation in the common European market to speed up the development. The main economic development directions of the EU are outlined in the Lisbon Strategy, which is to cause a growth of competitiveness of the European economy, a faster creation of new jobs and the development of advanced technologies. Moreover a great challenge will be using the EU assistance funds for the years 2007 – 2013.

Being at present one of the poorest countries of the European Union, Poland has at the same time a strong development potential. Among the factors constituting the source of this development we should mention: population potential, high entrepreneurship, investment attractiveness, natural environment, structure of the spatial development of the country, and also the Polish culture.

*Poland is one of  
the poorest  
countries of the EU,  
but has a strong  
development  
potential*



**Population and entrepreneurship:** Poland has at its disposal a significant population potential, occupying in terms of the number of population the sixth place in the European Union. The percentage of young persons is high – nearly 50% of the residents of our country are of 35 years old or younger. As a result Poland has the greatest in Europe number of young people entering the job market (almost half of the increase of the workforce in Europe in the recent years). It is indeed a great problem today, but also potentially our greatest advantage in the future. According to the demographic forecasts, in the period of realising the Strategy the number of persons in the productive age in the towns and cities will fall, whereas in the rural areas it will grow, which will influence the situation on the job market. At the same time the average life expectancy extends and the number of pensioners is growing. This causes a sudden increase of costs of healthcare and the expenses of the pension system and is the main source of difficulties with the balance of public finances in Poland. The population of Poland is characterised by a growing level of education. For more than ten years we observe an increase of the interest in educating (multiple increase in the number of students), among the young people not only secondary education is becoming popular, but also higher education.

*We are  
characterised by  
entrepreneurship*

The Poles are characterised by entrepreneurship, which is evidenced among others by the high number of companies newly created in the transition period. In the years 1991-2005 the number of economic entities increased almost threefold and towards the end of 2005 it amounted to 3.6 million.

*Costs of work in  
Poland are  
lower than in  
Western Europe*

**Investment attractiveness of the country:** Poland is perceived as an attractive country for foreign investors. With the current level of the social productivity of labour and the strength of the currency, the average labour cost is a number of times lower in Poland than in the majority of western European countries. However at the same time it is a number of times higher than in large countries of Southern and Eastern Asia. In comparison with Western European countries, the average rate of return on invested capital is a number of times higher in Poland. Together with the progress of convergence processes of the Poland's economy with EU, the costs of work in Poland will grow however; competing on of low labour costs will also be more difficult when the European Union extends to include Romania and Bulgaria in 2007, and further in the future after possible accession of other candidate countries. Therefore in the period covered by the Strategy a greater part will be played by other competitive advantages.

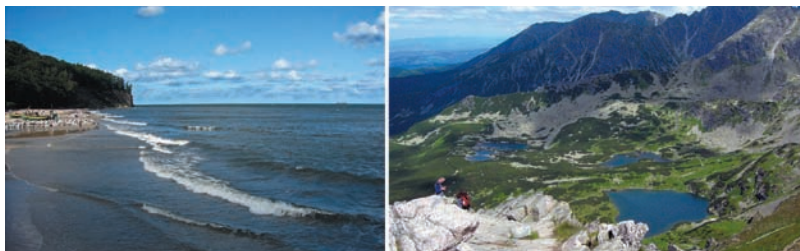
Among the strongest Poland's advantages in comparison with other low labour cost countries one should mention: relatively high qualifications of employees, political and economic stability, an unlimited access to the Union's internal market and a small distance to the largest Union markets (especially Germany). The quality of the business environment should be judged as average at best; the situation in case of infrastructure looks even worse. Despite that on the global scale Poland is located relatively high on the map of investment attractiveness. One should however note that in the recent years the investment attractiveness of our neighbours from Central and Eastern Europe was judged higher, although they had at their disposal smaller labour resources, but usually a better infrastructure.

Poland can count in the coming years on attracting significant investments, first of all those that require high qualifications of employees. As it seems, this can refer to a range of services (among others, accounting, financial, medical,

logistic, IT services, services connected with scientific research, etc.) and relatively labour-intensive, but quite advanced technologically fields of industry (e.g. automotive industry). At the same time an increase of investments of Polish companies in countries with lower costs of labour is expected.

**Environment and natural resources:** Polish natural environment is characterised by varied in the regional dimension conditions and an exceptional in the European scale biological diversity. Thanks to efforts undertaken in the recent 17 years it was possible to stop many negative trends. The standards were raised and they started to be obeyed. Sources and mechanisms of financing pro-ecological projects were created. A notable effect of those activities is reducing the pressure on the environment and a systematic improvement of quality of its elements. However, the social and economic transition caused appearance of new problems and negative phenomena for the environment (e.g. development of the automotive industry). New challenges in the scope of environment protection occurred also as a result of a process of European integration and Poland's membership in the EU (including realisation of accession commitments). assets of natural environment in connection with a significant cultural potential and a beneficial location in the middle of the continent on the crossing of important European roads make our country an attractive place to visit and have a rest. For many less industrialised, but environmentally attractive regions of Poland, tourism constitutes the basic development opportunity. Its materialisation, however, requires support of the local initiatives by the public authorities, which establish the tourist and water routes, hunting grounds, recreation areas and help in developing essential infrastructure.

*Natural  
environment  
assets – an  
opportunity  
of development*



Poland has at its disposal significant resources of some important natural resources, including especially hard and brown coal, copper, silver and sulphur, as well as natural gas, zinc, lead or rock resources. Their exploitation constitutes a basis for development of many fields of the manufacturing sector and a still significant source of export incomes, and basing the consumption of energy on using own resources of coal ensures a relatively high level of the country's energy self-sufficiency. A weak point of the Polish resource base are however small resources of the most important resource – petroleum.

**Spatial development of the country:** Polycentric spatial development is an advantage in the country's development. In Poland the capital city is not the dominating economic and social centre (relation of the number of residents of the capital city to the total number of residents is in Poland one of the lowest in Europe), at the same time Poland has a number of other large metropolitan areas apart from the capital city, with a comparative significance and comparative development opportunities ("Trójmiasto" – Gdańsk, Sopot, Gdynia, Katowice with other Silesia cities, Cracow, Wrocław, Poznań,

*A polycentric  
spatial  
development of  
the country is an  
advantage*

Łódź). The existing differences in Poland's development have a historic justification. Rural areas indicate a high level of diversity, both in terms of the density of population and the size of households. In the rural areas there is a high hidden unemployment, and at the same time the majority of residents of the countryside work outside agriculture.

*Numerous factor  
of accelerating  
the economic  
growth*

**Economic development:** The recent period has proved that the Polish economy adapted very well to the conditions of the European Union. A fast rate of the increase of export to other countries of the community is observed (including export of food, which enables for improvement of the situation on the Polish countryside). A good macroeconomic situation – the decrease in inflation and the fall of interest rates following it, creates favourable conditions for the development of the economy. As a result of that there is an investment boost, also in the housing market, supported by the growing availability of mortgage loans. The inflow of foreign investments is relatively high. In the nearest years fundamental structural transitions in the mining, energy sector and other sectors will be finalised. The private sector is developing fast. Not only large private companies are acting that were created as a result of privatisation of old state-owned enterprises, but also companies that developed from the beginning are operating. Numerous factors that allow to accelerate the economic growth are created as a result.



*Rich cultural  
heritage  
resources*

**Polish culture:** Poland has rich resources of cultural heritage, which are one of the main elements influencing the country's positive image in Europe and in the world and constitute an advantage in the process of defining the place and position of Poland in the European Union. Achievements of Polish artists are an important factor of promoting a positive image of Poland in the world, and the amenities of our historic buildings significantly increase the tourist attractiveness of the country. Polish culture is also one of the factors of the social and economic development, aiming at building an innovative, creative and tolerant society. In Poland family and neighbourhood bonds are much more important than in many western states. Local communities are strongly integrated, especially in the rural environment.

**Labour market:** The main problem of the Polish economy is a low level of employment of persons in the productive age and a high unemployment. Poland is characterised by a low professional activity and a low percentage of employed persons, and in case of population with the lowest education – a very low percentage of working persons. A low level of employment is prevalent especially in case of young people aged 15 to 24 and persons in pre-pension age 50 to 64. It is also more visible in case of women than men. In connection with the highest in the European Union unemployment rate and a long period of looking for the first job the situation of young people entering the job market is especially difficult, which causes recently their numerous emigration in search for work. The rate of registered unemployment is particularly high in the following voivodships: warmińsko-mazurskie, zachodniopomorskie, lubuskie and kujawsko-pomorskie. Towards the end of June 2006 it exceeded 20% in those voivodships. One should also take into account a significant hidden unemployment – in the agriculture and in the rural areas.

*High unemployment is the main problem*

**Innovativeness:** Polish economy presents a low level of innovativeness. The science sector is characterised, among others, by small outlays for R&D, scattered at the same time into a too large number of research directions. Moreover these outlays in the dominating part come from the public sector, not from the private one. The weak point of the R&D sphere, influencing the innovativeness of the economy, is incompatibility of the conducted research and development works with the needs of entrepreneurs. Moreover there is a small interest in cooperation between entrepreneurs and scientific entities, caused among others by fears of the entrepreneurs' fears of high risk stemming from investing their limited resources in research works. The indicator of the weakness of the R&D sphere and its performance for the needs of the economy is a lower than in other EU states number of inventions patented by Polish scientists in the country and abroad. Also the participation of high technology industries in the foreign trade significantly differs from the results achieved by highly developed countries. At the same time the share of new and modernised products in the total sold production is growing.

*Weaknesses points of the R&D sphere*

**Infrastructure:** Technical infrastructure in Poland (roads, railway lines, bridges, sewage system, and pipelines) is less developed than in western countries, despite a significant progress in this scope in the recent years. Without its fast improvement the economic development will be more difficult, and it will be more difficult to attract foreign investments. The state of infrastructure essential for creating the information society is also insufficient. In terms of a broadband access to the Internet Poland occupies in one of the last positions in the European Union. Shortages in the field of the social infrastructure make it difficult to access education, health care, administration and the judiciary, and also the use of free time. A great challenge is implementing solutions that would ensure improvement of the housing situation of Poles, including in particular persons with relatively low incomes and young marriages.

*Improvement of infrastructure – a condition of development*

**Regional diversification:** A more and more active regional policy did not prevent the growth of differences in the size of GDP per capita in individual regions of Poland. GDP per capita of the economically strongest mazowieckie voivodship constituted (in 2003) 73% of the average EU-25, i.e. around twice as much as the weakest economically voivodships (lubelskie, podkarpackie, podlaskie, świętokrzyskie and warmińsko-mazurskie). These differences are first of all an effect of a fast development of local growth poles (mainly urban conurbations).

*Growth of the  
diversity of  
development  
in various  
regions  
of Poland*

Four voivodships create GDP per capita above the national average level (mazowieckie, śląskie, wielkopolskie and dolnośląskie) and are characterized by the best development perspectives. There is also the so called Eastern Poland (voivodships: podkarpackie, lubelskie, podlaskie, warmińsko-mazurskie and included in this group świętokrzyskie voivodships) – five of the poorest voivodships in Poland and in the whole community, located along the eastern and northern borders of Poland. Their future depends among others on the cross-border cooperation (including economic exchange with Belarus, Ukraine and Russia) and usage of the community funds.

*The need to  
improve  
administration*

**Public administration:** Despite significant changes that were made during the last couple of years, it was not possible to fully implement the desired modern techniques of management and IT systems to the public administration, the management of the public finances was not fundamentally improved either. Without a significant improvement of the situation in this field, the condition of the public administration will remain a limitation making Poland's development difficult. Moreover, functioning of the public administration is negatively influenced by a low confidence in the authorities and public institutions.

**Evaluation and conclusions:** The above conditions indicate for the premises to build a strategic vision of the development. In the long-term perspective Poland should not base its competitive abilities on low costs of labour. We should not also expect that competitive advantages will be achieved by significant capital outlays. Natural resources, although quite rich, also do not exist in Poland in quantities enabling to make them the basic source of competition on the world markets.

Realization of the goals of the Strategy will require a range of weaknesses connected with the still difficult situation on the job market, in the scope of social benefits and health care, low innovation, bad condition of infrastructure, excessive regional diversification or insufficiently effective functioning of the public administration.



The recent years showed that the strength of the Polish economy is entrepreneurship and adaptative skills of entrepreneurs to the changing conditions. Integration within the EU, meaning new development challenges and a different regulation environment, became in the majority of cases an opportunity, not a threat. Human capital – especially resources of young and educated employees is probably our greatest advantage, and together with the energy and professionalism of Polish companies these are advantages that in connection with the inflow of EU funds, modern technologies and organizational methods can constitute a fundamental driving force of the development.

*Big adaptative  
skills of  
entrepreneurs*

They can provide for a fast GDP growth connected with lowering the unemployment by a simultaneous development of export and business activity oriented at the domestic market, including especially services generating jobs. In the future one should expect in Poland reduction of labour-intensive and low-advanced technologically industries.

The strategy should aim at increasing the competitiveness of the economy. Especially it should care for strengthening the advantages of the country as a place hospitable for investors, both national ones and foreign ones - by development of the human capital and reducing the burden of work taxation and elimination of weak points, among others by development of infrastructure, growth of innovativeness and improvement of functioning of public institutions.

### 3. Poland in the world and in the European Union – opportunities and threats

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Poland Development Strategy for the years 2007-2015 cannot overlook the facts that are happening and can happen in the European Union and in the world in the nearest years. We need an objective evaluation of the place and role of Poland in the European Union's economy and in the world economy, our chances for development and threats to that development. Poland's development in the coming years will take place in conditions of increasing integration and globalization processes.

*Integration and  
globalization  
processes are  
increasing*

The whole Europe will feel the faster flows of goods, services and capital, migrations, expansion of trans-national corporations, including implementation of rules of strategic planning, optimisation of production in the global scale and moving the industrial production to countries with lower costs. China, India and other countries that so far have been regarded as developing ones, become essential economic centres. This will have a great influence on societies in Poland and Europe and on the way that our future development will be able to be conducted.

Liberalization of the international trade will create for Polish enterprises a chance of expansion to the outside-Union markets, but can also cause a threat of an extensive import to the domestic market.

At the same time the process of European integration will still continue. The European Union will extend by Romania and Bulgaria, and probably also by Croatia and – in the perspective extending probably the period of realizing the Strategy – by Turkey and possibly Ukraine. In the Poland's and Europe's interest will be further extending the Community and actions eliminating internal barriers between the members of the Union in the flow of services, people, goods and capital. In the works on the future shape of the European Union Poland will support such model of integration that will guarantee maintaining the national identity and reflect the strategic interests of the economy and aspirations of citizens.

*Perspective of  
further  
expansion  
of the EU*

### *Membership in the European Union*

Poland's membership in the European Union has a stabilizing effect on the conditions of functioning of the Polish economy, and entering of our enterprises to the single European market and the inflow of Union funds will become a strong development impulse. From the point of view of long-term perspectives of the economic development of EU and Poland as its member, the progress in implementing the Lisbon Strategy will be particularly important, and – after meeting the convergence criteria – defining the moment of Poland's entering the euro zone. Without a significant improvement of competitiveness and innovation the EU economy is threatened by weakening its position in the world economy that to a larger extent becomes an economy based on knowledge. In case of the majority of indexes characterizing economy based on knowledge, Poland is divided by a significant distance not only in relation to EU-15 countries, but also in relation to new member states. Therefore implementing the Lisbon Strategy will be for Poland a particularly big challenge, but also the basic source of accelerating the economic development.

### *Increase of migration processes*

In the period covered by the Strategy Polish citizens will get a full access to the job market in all EU states, which may cause an increase of the migration processes, also those short-term ones that should be expected after Poland's accession to the Schengen zone. It may contribute to lowering the unemployment, especially among young people, however in the face of the continued



ageing of the population it will become even greater problem for the economy of the country. The draining of the human capital can lead to an increase of costs of work, lowering the potential rate of GDP growth, fall of the birth rate, increase of problems connected with functioning of the pension system and other negative effects for the society and the economy of the country. We can expect at the same time a growing migration to Poland, and as a consequence appearance of new legal, social and job market problems.

Influence of the international surrounding is expected to be generally favourable for Poland, although not free of threats and numerous growing challenges.

Poland will be to a growing extent influenced by external factors such as: scientific and technologic progress, changes in the natural environment and demographic changes. External economic conditions will have the basic meaning. As it arises from the forecast of the World Bank, in the period until 2015 an growth of the world economy is to be significantly faster than in the 80's and 90's of the previous century, and also than in the years 2001-2006. The growth of the world economy will be stimulated first of all by regions far away from Poland – East and South Asia (including mainly China and India) and still successfully developing American economy. Although a significant acceleration of the economic growth rate of the European Union is expected, however it remains lower than the one achieved by the USA.

*Favourable  
international  
environment*

For Poland it is essential to keep the position of an attractive country as a place of localization of direct foreign investments, which will enable to treat those investments as an important factor of increasing the potential of the economy, export and reorganization of production and improvement of competitiveness and innovativeness of enterprises. The problem may be moving, also by Polish companies, of some kinds of industrial production, especially the traditional labour-intensive and material-intensive production, to countries offering significantly cheaper workforce and resources.

*Assure inflow  
of direct foreign  
investments*



Issues connected with energy and resources supply will be a growing challenge in the global scale, concerning also the Polish economy and the state policy. In a perspective of the nearest decades the world is not threatened with exhaustion of the natural resources, however their prices may be significantly higher than in the 90's, and in the case of the most important resource – petroleum – we should allow for the possibility that as soon as the next decade extraction in the non-OPEC countries could decline. The importance of the energy security will be growing at the same time. Ensuring stable supplies of petroleum and gas will require Poland, on the one hand, to undertake autonomous actions for diversifying the directions of import supplies, and also an increase

*Energy  
and natural  
resources supply  
– a challenge in  
the global scale*

of excavation of the domestic gas, while on the other hand – initiating and an active participation in international cooperation for the benefit of improving the energy security, including especially within the European Union. The energy security of Poland will benefit also from maintaining the dominant role of the domestic coal in the structure of consumption of primary energy and the production of electrical energy, development of renewable energy sources, possible construction of atomic energy and continuing actions in order to improve the effectiveness of the energy usage.

*Growing threat  
for environment*

One of the key global issues will be the growing threat of the natural environment, expressed among others with climatic changes, industrial failures, air pollution, wasteful exploitation of forest resources, reduction of water resources, as well as disappearance of many species of plants and animals, degradation of soil. For the future of the natural environment of the world the implementation of provisions of the Kyoto Protocol on limiting the emission of greenhouse gases expected in the period until 2012 will be especially important. International commitments of Poland, including especially accession commitments, will require implementation of new solutions in the scope of environmental protection and incurring significant outlays for this target.

*International  
conflicts and  
the economy*

Development of the world will probably continue to be disrupted by local military conflicts and terrorist attacks. Apart from direct effects – human victims and material losses – they will cause periodical disruptions in functioning of the world economy, reflecting also negatively on the Polish economy. Therefore it will be essential to undertake by Poland actions in order to maintain the international safety, resulting from our membership in the NATO, EU, UN, Council of Europe and OSCE, and also from the realization of the developing Common Foreign and Security Policy and Common Security and Defence Policy of the European Union.

A growing influence of the international environment on the economic development of Poland will require constant monitoring of tendencies and new phenomena taking place in the European and world economy, both for the fast recognition and tapping of emerging opportunities, as well as in order to effectively amortize possible threats.

#### 4. Basic development dilemmas

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Taking into consideration the future expectations and needs, the starting point, internal and external conditions and financial possibilities, it is not possible to satisfy all potential beneficiaries of the development policy. As a result the necessity may arise to make very difficult sometimes choices. Ensuring work in the country, creating of conditions for a stable economic growth, or reaching as high as possible quality of life, are one of the most important aims that determine making those choices. Below are presented the basic dilemmas of the development policy connected with implementing the Strategy, together with directions of deciding them.

*Distribution of  
fund for  
investments  
and education*

Concentration on current needs of the economy may result in weaker foundations of the future development. Faster development nowadays may have a negative effect on competitive advantages in the future. To this may lead e.g. negligence of building an innovative economy, or its basis in a form of a modern education whose fruit can be collected only in the future. Another example is defining the scale of funds intended for „hard” projects, i.e. investments whose

effects are very specific and will be quickly revealed, and for „soft” projects – e.g. for education or trainings, whose effects often will be visible only after a number of years. Here we should find a balanced structure of actions, to cope with both those challenges: current growth and foundations of future development.

Important for the economic policy will be the choice: whether we should aim at fast Poland's entering to the Eurozone, which would cause the necessity to subordinate this aim the monetary policy and conducting a fast and in-depth reform of public finances, or postpone the planned accession to the Economic and Currency Union for a later period, maintaining a larger autonomy in the economic policy and using it for accelerating the economic growth and reducing the development gap in relation to the current „euroland” countries? In the nearest years Poland will act in order to accelerate the pace of development and bring the development level close to the average in the EU, aiming at the same time at reaching the convergence criteria and future entry to the Eurozone.

Should the results of the economic growth be in a larger extent used for softening the social unevenness, including especially in the sphere of social care, or should we implement solutions activating passive social groups? Both directions of actions will be realized with a greater and greater pressure on social activation. Active approach requires shaping flexible forms of employment and effective incentives to raise qualifications and skills adequate to the requirements of the job market.

Another dilemma relates to defining the scope of guaranteed public services. To what extent and level we should support public services, to whose quality and effectiveness we can often have restrictions, and to what the development of the private services sector – that however acts on market rules, which in turn can limit the access to its offer? The state should guarantee access to the basic services for all citizens, improving their quality and creating at the same time conditions for development of non-public services.

How to promote and reach fast development without neglecting environment protection and the rules of sustainable development? Surely we can reach fast growth at the environment's cost. But can we forget about the future generations? Moreover, environmental proposals will also be taken into consideration in pro-development actions realizing the obligation resulting from Poland's international treaty commitments, including especially accession commitments.

*When should we enter the eurozone?*

*What social policy should we create – a stimulating or protective one?*

*Development and the protection of environment*



Another way is the method of realizing the actions and usage of available funds. Should the available funds be concentrated on selected few, but large, strategic projects, or should we allow for the possibility of financing many small projects for numerous beneficiaries? Concentration of funds on selected, large

*Motorways, or local roads?*

projects (e.g. motorways) causes realization of projects that are important for the country or region, which bring benefits to a great number of people. On the other hand, taking up many small projects (e.g. local roads) causes that the funds will be dispersed, projects will not be selected that are important for the whole country or region, but the final recipients will be closely identified, and these investments will solve their specific local problems. Final decisions should in the first priority take into consideration improvement of infrastructure deciding about the competition of the country and regions and favour the inflow of capital, including direct foreign investments, without forgetting about those smaller projects that have an economic meaning.

*Should we support stronger regions?*

Faster growth translates into greater development diversity in the scale of the country and within the regions, since it is powered by growth centres, which are mainly urban agglomerations and metropolises. Taking this into consideration this we should decide to what extent our vision should concentrate first of all on the growth, that is on supporting the most robust regions and urban centres, and to what extent we should take into consideration rural areas and marginalized regions? The state's regional policy should take into consideration these two directions, indicating the significance of diffusion of growth from large urban centres being the centres of growth to the surrounding, especially to rural areas.

*Public funds exclusively for public aims?*

Another dilemma is, whether the public funds should be allotted exclusively on public objectives (e.g. on infrastructure, education system), or whether we should also finance support for the enterprises sector (in keeping the binding in EU rules on state aid), e.g. for small and medium-size enterprises, because they will pay taxes and create workplaces? Here we need the balance of proportions, however the weight of small and middle-size enterprises, especially in creating employment decides on the aim of supporting those enterprises. Social impose also supporting traditional branches of industry, however not their existence, but restructuring guaranteeing improvement of effectiveness, innovation and own development.

*How to direct the innovative support?*

Without innovation we cannot build a competitive economy. But should we concentrate the support exclusively on the newest technological innovations on the world level, or also support simple solutions and innovations at the level of a company? Implementation of large innovation requires high investment outlays and a good cooperation with the scientific and research background. In practice large investments will be possible in a relatively limited scale, although undertaken will be programmes of development of high technology sector. Known are however numerous examples of effective implementation of small innovation, that are worth supporting and promoting.

\* \* \*

Undertaking specific choices requires a strategic vision, based not only on knowledge and experience, but also using a democratic and pro-social system of values. Deciding on the above dilemmas will be made within detailed solutions in proper regulation documents. Preferred directions of development, reflecting the posed dilemmas, are presented within the selected below priorities of the Strategy.

2007

2015

## VISION OF POLAND UNTIL 2015

III

The Polish society expects changes that will lead to the growth of standard of life. This goal must be served by the development policy of the state. These changes should be initiated by the public authorities, but will end with a success, if they will be conducted in a dialogue with the society. The key to the success is a change of the method of performing the authority. An essential motif of this change consists in that public authorities are to serve the society, and not the other way round.

*The state's  
development  
policy in a  
dialogue with  
the society*

Planning the pro-development actions for the coming years we should know what Poland, our Fatherland, we would like to have and in what we want to live in 2015. We must also know for which social and economic model of our country we aim for. Why in 2015? Because in that period we have a chance to finish many development programmes (including those supported by EU funds) and then we should know their effects.



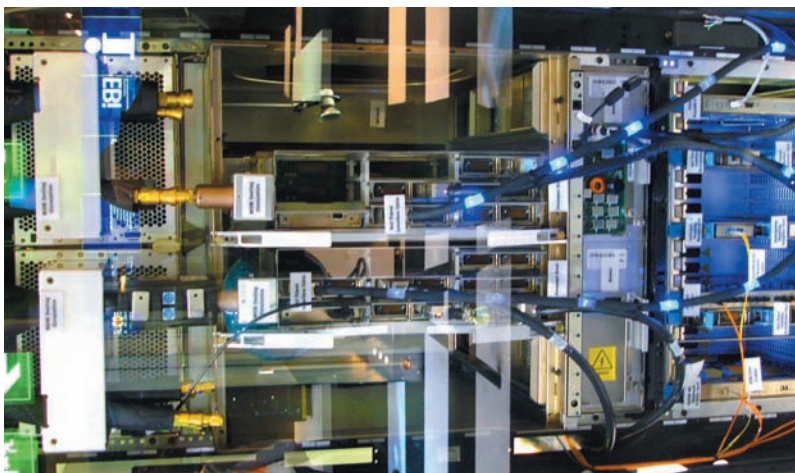
The vision of the nation's development must take into consideration the time and conditions in which it will be implemented. It must take into account both the diagnosed in detail starting point, that is the situation in which we are, as well as the future conditions of acting and what is an equally important - societal expectation. The future position of Poland will depend on the harmony between the public sphere, market and the citizen society.

Poland in 2015 is a country with a high level and quality of life of its residents and a strong and competitive economy, able to create new places of work.

*Growth of  
employment and  
fall of  
unemployment*

We want that in Poland it is easy to create new places of work, so that significantly grows employment of persons in a productive age and a fall in unemployment takes place. Therefore the economic policy concentrates in a special way on creating new workplaces, especially in the services sector, first of all in the sphere of market services. Only the sector of services will be able to absorb employees from the modernized industrial sector and from the restructured agriculture.

Incomes of population and GDP per capita will gradually converge to the average level in the EU. We want the differences in the level of life of residents of Poland and EU to significantly narrow and cease to act as a reason of numerous job migrations abroad of young and well educated Poles.



*Knowledgebased  
economy*

The state will promote development of intellectual capital, both in relation to persons as well as to organizations.

The state should at the same time create conditions conducive to the professional and financial promotion for more talented, creative and enterprising persons.

We want the social and professional activity and mobility of the population to grow, so that the society has a high level of education and the workers constantly raise their qualifications.

*Competitive  
Poland on the  
global scene*

Polish economy in 2015 must be strong and competitive on the European and world scene, characterized by a high and stable economic growth, a high innovativeness, effective industry, developed services and modernized agricultural sector.

We want our country to use the globalization processes for the transfer of technology and growth of innovativeness of the economy, raising the quality of human capital and creation of new jobs.

Poland must be an attractive and reliable partner in the trade exchange, especially with the other EU countries; Polish companies should be able to use the opportunities of the Common EU Market and the European Economic Area.

We want the residents of the country and entrepreneurs to be able to use the functional and effective and properly developed technical transport infrastructure, social infrastructure and in the environmental protection infrastructure. This relates first of all to the road, railway infrastructure, air and sea transport, water and sewage as well as housing, sports and recreation infrastructure.

*We will extend  
the technical  
and social  
infrastructure*

We see Poland as a country friendly to the residents, in which it is worth living and to which it is worth coming back, because it is safe, gives a chance of work and development and guarantees a proper level of social protection and healthcare.

Therefore the state must ensure for the citizens safety and the perception of that safety. The state must effectively prevent and reduce the crime and terrorist threat, prevent threats and natural, technological disasters and those caused by human activities. Proper public services must actively cooperate in a systemic way with the European and international safety systems.

*Provide sense  
of safety*

The state must effectively limit the scope of poverty and margin of social exclusion and promote social integration.

The public administration system must be efficient, effective and economical, using information and communication technologies, with a full access of a citizen to information, and with a limited to essential minimum scope of intervention of administration in the economic life and private lives of citizens. In the dimension of administrative functions we want Poland to be a state – where it is possible – decentralized.

*Essential  
efficient public  
administration  
system*

We want Poland to be a civic state, abundant with varied forms of local and over-local civic activity, based on the dialogue and cooperation, promoting activity of non-governmental organizations and aiming at their widest possible participation in the social life.

*We are  
building a civil  
society*

The cultural heritage and development of culture on the local, regional and national level should be a special subject of protection and care from the state's and society's side.

Poland should use the richness of their human, cultural and natural resources, as well as draw benefits from the development of tourism contributing to the economic growth of regions, creating new places of work and promotion of regions and countries.

*Let's use the  
richness of our  
resources*

We want Poland to be able to use for its development the potential of Poles living abroad.

Poland should be a country organized spatially, making available and protecting natural resources, caring for a good state of the environment and a rich biodiversity.

*Policy of  
sustainable  
development*

The state will pursue a policy of balanced development by integrating activities in the economic, social and environmental sphere in the interest of future generations.

We want the state to aim at maintaining the social, economic and territorial cohesion.



Infrastructure Condition  
Improvement ☐

Rural Areas Development ☐

Competition Growth ☐

Employment Growth ☐

## MAIN AIM AND PRIORITIES OF THE STRATEGY

IV

The main goal of the strategy is to raise the level and quality of lives of Poland's residents: individual citizens and families.

By raising the level of life we mean the growth of incomes in the sector of households, facilitating access to education and trainings, which leads to raising the level of education of the society and raising the qualifications of the citizens, growth of employment and labour productivity, resulting in both reducing unemployment, as well as increasing the level of professional activity and improvement of health of residents of Poland.

By raising the quality of life we mean an essential improvement of the state and growth of the feeling of safety among the citizens, possibility of using the functional and easily accessible technical and social infrastructure, life in a clean, healthy and favourable natural environment, participation in a democratic life, participation in culture and tourism, membership in integrated, helpful local community, enabling a better harmonization of family and professional life and activity within civic society.

Raising the level and quality of life is to be effected by the state's policy that allows for fast, constant economic development in a long-term perspective, based on the development of the human capital, increasing the innovativeness and competitiveness of the economy and regions, including on investments in the sphere of research and development, and on receiving stable economic, social and environmental conditions ensuring a European level and quality of life of citizens and families in the country and local communities. Functioning of the community and its safety should be based on the subsidiarity principle. In situations when threats exceed the possibilities of reacting on the level of local society the support of proper bodies of public administration should be assured.

*Realization of  
the Strategy's  
goal by a fast  
economic  
development*

The above goal can be reached only in conditions of realizing the rules of balanced development and caring for and keeping the cultural heritage of Poland. This goal can be reached in circumstances of significant differentiations of the level of development of regions, marginalization of rural areas and lack of respect for the spatial organization of Poland.

Indexes characterizing the main aim of the Strategy presents the below table.

	Indexes	UE-25	Poland		
		Value of the indicator in the base year (2005)	Projected value of the indicator		
Main aim of NDS	Average yearly growth rate of GDP (%)	1.7 (2001-05)	3.0 (2001-05)	5.1 (2006-10)	5.2 (2011-15)
	GDP per capita at the PPS (UE25=100)	100	50	58	66
	Average investment rate (%) <sup>1)</sup>	19.7 (2001-05)	18.8 (2001-05)	21 (2006-10)	25 (2011-15)
	Average yearly inflation (%)	2.2 <sup>2)</sup>	2.1	2.5	2.5
	Deficit of the public finances sector in % of GDP <sup>3)</sup>	2.3	2.5	2.5	2.0
	Public debt in % of GDP <sup>3)</sup>	63.2	42.0	51.7	47.0
	Per capita income <sup>4)</sup> (PLN)	x	732	950	1190
	Structure of working persons (aged more than 15) by economy sectors <sup>5)</sup> (%)				
	- sector I	4.9	17.4	15.0	11.0
	- sector II	27.5	29.2	27.5	26.0
	- sector III	67.6	53.4	57.5	63.0
	Share of market services in the gross value-added (%)	.	49.6	51.0	55.0
	Unemployment rate (%)	8.7 <sup>6)</sup>	17.6	12.0	9.0
	Index of threat of relative poverty after social transfers (% of population)	15 (2003)	17 (2003)	15	13
	Life expectancy (years):				
	-women	81.2 (2003)	79.4	80.6	81.2
	-men	75.1 (2003)	70.8	73.3	74.5
	Infant mortality per 1000 of live births	4.5 (2004)	6.4	5.5	5.0

Source: Poland – unless otherwise stated – data of the Central Statistical Office, Ministry of Finance and Eurostat; UE-25 – Eurostat.

1) Ratio of gross fixed capital formation outlays to GDP.

2) Harmonized index of consumer prices; for Poland – 2.2.

3) Acc. to ESA 95 and with an assumption that in the years 2010 and 2015 open pension funds are outside of the sector.

4) Average nominal monthly disposable income in households.

5) I – agriculture, forestry, hunting and fishing, II – industry and construction, III – services.

6) Harmonized unemployment rate; for Poland – 17.7.

The main goal, and also the social and economic problems resulting from development backwardation, underinvestment of the Polish economy and external conditions, indicates priorities. They define the most important directions and main actions, thanks to which it will be possible to reach the main goals of NDS.

These priorities are:

- Growth of competitiveness and innovativeness of the economy
- Improvement of the condition of the technical and social infrastructure
- Growth of employment and raising its quality
- Building an integrated social community and its safety
- Development of rural areas
- Regional development and raising the territorial cohesion

The presented priorities will be realized by regulation, decision and implementation activities of state authorities and public administration, as well as other entities of the social and economic life and the system of evaluating the progress of realization of activities.

### Growth of competitiveness and innovativeness of the economy

NDS assumes a significant increase of competitiveness of both enterprises and regions, essential for reaching a high, sustainable economic growth and an increase of employment and affluence of its citizens. Conditions will be created for stimulating and using of internal sources of growth for the development of entrepreneurship and raising the technologic level of the economy. Growth of outlays for research and development is essential.

Growth of competitiveness and innovativeness of Poland will take place by realization of the following activities:

a) **Creating stable macroeconomic bases for the economic development**

Raising competitiveness of the economy should take place with the macroeconomic stability, creating favourable conditions for growth. This means implementation of such economic and financial mechanisms that aim at mobilizing national savings and stimulating investments. In order to keep the macroeconomic equilibrium activities are essential for public finances directed at lowering the deficit of the public finances sector and preventing further growth of public debt. This requires pro-development initiatives, leading to increased revenues of the public finances sector and improving the fiscal effectiveness, and on the other side – rationalization of public expenditures and improvement of their structure. In order to ensure the stability of development conditions it is essential to keep a low level of inflation and the balance on the current account limiting the fluctuations of the exchange rate, which should influence a favourable level of interest rates. Realization of the Maastricht criteria should in the future make it possible for Poland to enter the Eurozone. Accession to the Economic and Monetary Union will bring essential benefits for the country's economy, individual units and citizens and will influence the shaping of a beneficial image of Poland in the international environment, especially among foreign investors, including increasing the credit rating. Until Poland enters the Eurozone, the economic policy should use opportunities of conducting an independent monetary policy and fiscal policy for the development and modernization of economy, within the framework defined by the Convergence Programme.

*Stable  
macroeconomic  
policy*

## b) Development of entrepreneurship

Development of enterprise will be created by creating a friendly legal, financial and institutional environment, one contributing to creation and growth of enterprises, especially small and medium-size companies and shaping entrepreneurial and innovative attitudes. Supporting the competitiveness of the economy, economic growth and changes of the economic structure requires among others assisting the enterprises in the scope of creating and implementing product, process and organization innovations. In order to do that improvement of conditions of functioning of entrepreneurs is expected – greater freedom of starting activity as the effect of shaping more friendly system regulations (simplification of law and of administrative procedures, lowering the costs of economic activity (including non-wage labour costs), simplifications in the access to technology and capital). Actions will be undertaken in order to develop a money market and capital market in order to create convenient conditions for financing the entrepreneurial activities. Stimulation of entrepreneurship will also be supported by an easier access to the high quality services rendered by business environment institutions, facilitating possibilities of financing investments, acting in order to extend the modern infrastructure for conducting business activity and help in the access to knowledge and consultancy. Development of entrepreneurship will be promoted by strengthening of the connections between the research and development sector on one hand and enterprises on the other as well as by increasing the access and scope of using public services *on-line*.

For functioning of enterprises an essential meaning has improving the judiciary – from registering companies in the National Court Register, to fast ruling in commercial cases.

Promoted will be development of cooperation and promotion of the network of economic cooperation, also in the international dimension. In order to do that we expect supporting cooperation of enterprises in the scope of creating producer groups (among others cooperative and other groups of agricultural producers), cooperative, distribution, capital, enterprisers unions and self-government units. We assume also providing help in implementing common initiatives of enterprises, scientific entities and institutions responsible for regional development.

## c) Increasing access to external financing of investments

Access to the capital constitutes for the Polish entrepreneurs, especially small and medium-size companies, main barrier of conducting investment activity. Due to high costs of credit and difficult conditions of accessing them by small and medium-size enterprises, development of the guarantee system, credit warranties and loan funds becomes particularly important. This should regard especially innovative enterprises, mainly SMEs, first of all in the early stage of development. Key meaning has a better usage of potential of domestic financial institutions. Supported will also be development of alternative instruments of financing business and investment activity (venture capital funds, commercial credit and others). Entrepreneurs starting business activity will have an opportunity to receive funds from seed capital funds. Realized should be the rule that the public expenditure aim at activating private funds, and not on replacing them.

Poland's membership in the EU gradually increases the access and improves the conditions of using by Polish economic entities of external financing with foreign capital, including both credits of organizations and international banks (e.g. EIB, World Bank) as well as commercial banks. Essential is also maintaining and increasing interest with the Polish economy from the side of foreign investors. Direct foreign investments should contribute to an increase of innovativeness of the Polish economy; therefore we should encourage investors to cooperate with the research and development sector. A special opportunity for the development in the period covered by the Strategy will be financed from EU funds whose size will constitute a significant part of the total investment outlays.

*Improvement of  
access to the  
foreign capital*

**d) Raising the technological level of the economy by growth of outlays on research and development and innovations**

In order to increase the competitiveness of the economy deep changes in the structure of industrial production will be necessary; we need to saturate the economy with hi-tech products, based on modern technologies. Development of initiatives favouring innovation that plays a basic role not only in the competitive struggle of products and services (both on the internal market, and in the international market), but also influences improvement of the level and quality of life and the state of environment is stipulated. A significant increase of innovativeness will take place in the sector of services, industry, as well as agriculture.

The sector of science in Poland requires a consistent increase of outlays aiming at strengthening its competition. On one hand essential is the development of the research base and the scientific staff, and on the other hand directing the already existing resources on conducting research in priority branches for the country's development. Essential is increasing the role of scientific research in the economic development, among others by promoting cooperation of entrepreneurs, business environment institutions and scientific entities, and also by participation in initiatives of the European Research Space.

*Increase outlays  
on R&D*



*Enhancement of  
cooperation of  
scientific and  
research  
institutions with  
enterprises*

Of paramount importance is the need of an extended application of results of research and development works by economic entities, including augmenting transfer of modern solutions in the sphere of technology, product and organization. The greatest potential in this scope have regions in which there are scientific entities, able to generate new knowledge and technologies and economic infrastructure enabling its absorption and commercial usage of this knowledge. Assumed is creation of efficient mechanisms of cooperation between scientific and research institutions and subjects of social and economic life. In order to increase the technologic level of economy incubators and technologic parks and centres of advanced technologies will be developed in large academic centres.

*Directing  
financing of  
research*

Increasing the effectiveness of spending budget funds on conducting research activity should be effected by directing the financing of research, with a simultaneous consideration of their quality. Essential, apart from a systematic increase of public expenditures on science, is also increasing the participation of entrepreneurs in financing research and development works, including also thanks to an improvement of their access to *venture capital*. Change of attitude of entrepreneurs, as well as of the society as a whole to more pro-innovative is also of high importance.

The promotion of the industrial ownership rights, copyrights and related rights should be conducive to higher effectiveness of the innovations' market in general and to the flow of innovative solutions in particular. Moreover the growth of competition and innovation of enterprises can also serve an intensive use of industrial design.

One of the main sources of innovation are academies and other scientific and research centres, therefore we expect increase of financing the science and higher education, so that to reach at least an average level of the European Union. It is essential to modernize and strengthen the already existing scientific and research base. This regards both the research staff, and increasing the skills (especially in the field of marketing and sale of scientific achievements), as well as investing in the scientific infrastructure. We should also aim for restructuring, and in justified cases liquidation of weak, ineffective, national and sectoral (ministerial) research centres.

*Eco-innovations –  
investments of the  
future*

Poland needs a number of academies that would offer world level, top quality education. We should stimulate development of those fields of education that in the nearest future will decide the competitive power of the Polish economy and will contribute to creation of a knowledge-based economy. Sustainable development requires product, technological and organization eco-innovations, as well as changes in behaviours of customers, leading to reaching a growth of GDP and quality of life, with a decrease in both consumption of natural resources and in creation of pollution. Pro-environment investment can ensure stable and balanced in the further perspective economic development and limit external costs of the economic activity. In order to intensify protection of environment eco-innovations covering investment activities and organization solutions as well as methods of spatial organization will be supported. At the same time thanks to among others a wider usage of evaluations of the environmental impact, technique of o the life cycle evaluation and risk evaluations, realized activities should lead to: fundamental reduction in consumption of natural resources per a unit of product or service, replacement of using in technological processes

of non-renewable resources for renewable resources, essential limitations of emission of pollutions to the air, water, soil, reduction of vibrations, reduction of degradation of environment and the level of noise. They will also entail withdrawing or replacement of toxic and dangerous substances with a significantly less toxic ones that have decidedly weaker negative side effects, increase of biodiversity in the local development and creation of places of work in environment friendly branches (e.g. ecologic agriculture and connected with it processing, ecotourism). Undertaken will be also activities in order to significantly limit the space constantly developed, especially in the areas naturally and culturally valuable.

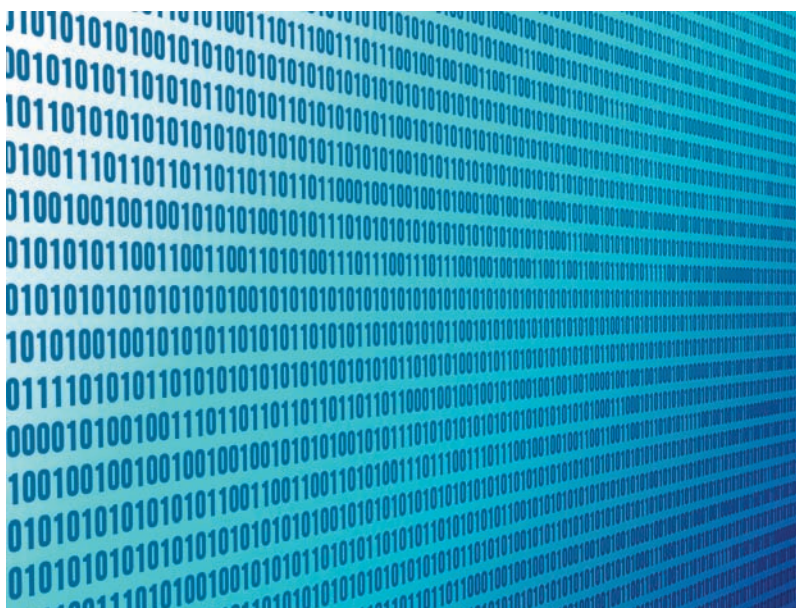


In step with the rules of balanced development, actions in the area of environment protection should use market mechanisms that support an efficient consumption of natural environment resources.

#### e) Development of information society

Processing of information, its quality and the speed of transfer are in the information society key growth factors and competitiveness of industry and services. Information society creates conditions for improvement of effectiveness of management of enterprises and a high efficiency of the public administration (including integration of its various parts with techniques of information processing and its transfer into a cooperating system). In order to avoid threats and to prevent the elimination of the Polish society from the community of the most developed societies that form a global information society it is indispensable to invest in people and to endow them with chances and opportunities of continual development.

Therefore a special meaning for the transformation to the global information society has an education system. The main aim of education is educating



*Promote the skill  
of using the  
telecommunication  
and information  
technologies*

citizens informing, communicating, learning and creating – in conditions of a more and more general access to information and communicative techniques. A priority for Poland is therefore promotion of supply of tele-information services and skills in the scope of using tele-information and obtaining information.

*Development of  
electronic services  
– an opportunity  
for the economy*

Providing a general access to electronic services and modern information and communications technologies creates new chances for economy and social development. The result of development of electronic communication is a growth of labour productivity, reduced production cost, better quality and adapting the offer to the customer's needs and creation of new products. Therefore we expect increase of access to the Internet, including a broadband and creation of an incentive system for investments in ICT. Special important for a potential economic growth and creation of new services have actions directed at the development of: electronic business (*e business*), electronic administration (*e government*), distance learning (*e learning*) and electronic medical services (*e health*). We should also aim at a greater promotion of non-cash turnover in economy, as mechanisms increasing the safety of economic turnover and leading to limitation of the scope of the “grey zone”. Public administration in their contacts with citizens and economic entities will be obliged to increase the offer of services offered via the electronic carriers of information. Essential is creation of electronic registers, which will enable for efficient verifying of the economic information, limit the risk of acting, and the incomes from the access to information from the public registers will increase the pool of funds for a more dynamic development of electronic economy and a safety of the economic turnover.

*Information  
technologies  
strategy for the  
country*

Within the information strategy of the country we should aim at creating a country-wide system of a „uniform electronic economy”, which will allow among others to avoid an ineffective spending of public funds for projects doubling or competing with each other.

#### f) Protection of competition

Regulations favouring the growth of competition accelerate the economic growth, especially in countries (including in Poland), in which there is a serious technologic gap towards the world leaders. We assume strengthening and protection of rules of an honest competition in economy (preventing abuse of the dominant position, control and preventing mergers and acquisitions of enterprises that can have a negative influence on the competition). Intensified will be activities preventing and fighting corruption and economic crime by institutional strengthening and improvement of equipment of bodies dealing with fighting crime. Strengthened will be protection of intellectual property among others by fighting pirate production, fighting illegal distribution and contraband, controls of sale points and implementation of protection systems and markings of original products.

#### g) Export and cooperation with foreign countries

Poland will use openness of its economy, membership in the EU and cooperation with the world to accelerate the country's development and increase the international competitiveness. This will be facilitated by the growth of exports, as well as that of imports with an investment and sourcing character. Macro-economic policy will aim at eliminating the barriers of development of export and maintaining external imbalance on a safe level. Undertaken will be actions leading to modernizing the economic structure and basing the export on development of modernized branches of economy, connected with the new technique and technology. Their effect will be growth of participation of high processed products and high techniques in export. More widely will be used financial instruments of supporting export. A coherent system of the economic promotion of Poland as a commercial partner and an attractive country in terms of investments and tourism will be created. A better promotion of export of Polish goods and services will be effected by implementation of new instruments in this scope, and also creation of institutional frames of supporting the export and promotion activity undertaken by entrepreneurs. Activities in the scope of pro-export policy will be conducive to the growth of internationalization of Polish enterprises, including especially small and medium ones. Shaped will be beneficial conditions for investing, including for inflow of foreign direct investments, so that to increase the development potential of the country and accelerate implementation of modern technologies and management methods. In order to strengthen the competitive export offer essential meaning will have development of research and development activity, among others by increasing the outlays for that target and growth of participation in international programmes and projects, especially within the EU. It will be accompanied by creation of conditions for tightening cooperation of science with economy and increase the diffusion of innovation to enterprises.

*Export – an  
important growth  
factor*

*Enhance  
the economic  
promotion of  
Poland*

#### h) Development of services sector

The services sector is decisive for the economic advantage of contemporary economies. Structural reforms aiming at increasing the competition on the Union and international services market will enable Polish companies to use the scale effect, and also they should raise the effectiveness of management. This will contribute to improvement of the dynamics of the whole economy and creation of a greater number of places of work. State assistance has a great meaning for the development of services with a national and international

*Use Poland's  
presence on the  
EU services  
market*

scope. We presume that it will encompass, among others stimulating and creating convenient conditions for the development of services, especially of market services (including tourism) and promotion of service activity on the international market. In the services sector of the general social and economic interest implementation of market elements is foreseen with taking into consideration the protection of the strategic interest by the state (energy sector, gas, communication, transport, water supply). Whereas in the sphere of social services (education, health, social security systems) market reforms should be prepared in such a way so that to increase access to those services and improve their quality, and as an effect favour increasing the life level of the whole society.

#### i) Restructuring of the traditional industrial sectors and privatization

##### *Limiting the negative social effects of reorganization*

Despite the structural changes taking place still in the economy an essential role is played by traditional branches of industry, and especially: coal mining, energy sector, iron and steel metallurgy, hard chemistry, shipbuilding industry, textile and clothing industry. The main aim of restructuring the industrial sectors is improvement of the effectiveness of their activity, as well as the possibility of offering by the Polish producers competitive products, both on the domestic market and on the world market. Essential is also limiting the negative social effects of restructuring processes, adaptation of traditional branches of industry to the requirements of environmental protection and removal of damages in the environment caused by their activity in the past.

The process of ownership restructuring will be continued, including commercialization and privatization of the still existing state enterprises. Privatization processes will encompass also sectors with a strategic character, with maintaining the interests of the state, the majority of which faces the necessity of improving their financial position and modernizing the production. It is essential that privatization revenues to a greater and greater extent be allotted for modernization, restructuring and development.

We assume strengthening the control over processes of ownership transformation including improvement of the ownership standard with the State Treasury companies.

#### j) Fishing

##### *Modernization of fishing and fish processing*

On account of the geographical location of Poland, development of many towns and sea ports is conditioned by fishing. In case of greater fishing enterprises of deep sea and Baltic fishing we can state a complete amortization of equipment and vessels. In the context of Poland's accession to the EU this branch met with a strong competitive pressure. Undertaken will be solutions for a rational management of live resources of waters and improvement of effectiveness of the fishing sector and raising the competitiveness of fish-processing. Moreover necessary are among others renewal of equipment and reorganization of fishing enterprises, protection and development of shore fishing, dependence of the processing on the seasonal character of fishing. In order to maintain and modernize fishing ports and piers there will be a modernization of the existing port infrastructure. In the fishing sector will be introduced modern technological, organizational and innovative systems.



The main indicators characterizing realization of the priority 1 of the Strategy are presented in the table that follows.

	Indicators	UE-25	Poland		
		Value of the indicator in the base year (2005)	Projected value of the indicator		
			2010	2015	
<b>Priority 1 Growth of competitiveness and innovativeness of the economy</b>	Total outlays for the research and development (R&D) activity in % of the GDP	1.9 (2004)	0.56 (2004)	1.5	2.0
	Share of economic units in outlays for R&D activity (%)	54.3 (2003) <sup>1)</sup>	22.6 (2004)	30	40
	Share of products of high-tech and medium-tech products in the sold production of the industry <sup>2)</sup> (%)	.	30.1 (2004)	35	40
	Export of goods per 1 resident – thous. EUR	6.5 (2004)	1.9	3.5	4.9
	Efficiency of work per 1 working person (UE25=100)	100	62.7	70.0	80.0
	Inflow of foreign direct investments (billion USD)	x	9.6	10.0	10.0
	Number of patents granted to Polish residents (per 1 million of residents) <sup>3)</sup>	134.5 (2001) <sup>4)</sup>	20 (2004)	40	65
	Spending on information and telecommunication technologies in % of GDP	6.4 (2004)	7.2 (2004)	8.0	8.5
	Number of broadband connections related to the number of population (%)	10.6	1.9	10	25

Source: Poland – unless otherwise stated – data of the Central Statistical Office, Ministry of Finance and Eurostat; UE-25 – Eurostat.

<sup>1)</sup> Share of industry; for Poland – 27.0.

<sup>2)</sup> In enterprises of “manufacturing” section, with the number of employees above 49 persons.

<sup>3)</sup> For Poland – domestic ones, granted by the Patent Office of the Republic of Poland.

<sup>4)</sup> Registered in the European Patent Office (EPO) or within the Patent Cooperation Treaty (PCT); for Poland – 3.1.



### Improvement of the condition of the technical and social infrastructure

In order to speed up the economic growth and increase the level of life of residents, Poland must make a huge effort of building or modernizing essential infrastructure conditioning conducting a competitive activity by entrepreneurs and reaching by the citizens the European civilization level. The quality of life is influenced also by the access to social services and their level.

#### TECHNICAL INFRASTRUCTURE

Essential conditions of speeding up the development and raising the competitiveness of economy are availability and condition of the infrastructure. Technical infrastructure of the country requires at present modernization and expansion, so that it is possible to strengthen the social and economic cohesion of the country, and also diffusion of development from centres with a greater meaning to less developed areas. Directed, taking into consideration the present and future condition of the environment, supporting the investment processes will enable realization of the idea of sustainable development and information society, and also will allow to raise the standard of life of residents. This will also enable raising the attractiveness of the country for external investors. Thanks to the development of transport infrastructure and increasing the availability of housing it will be possible to raise the society's mobility, which in turn should contribute to a gradual reduction of regional disproportions in the level of unemployment. Therefore we expect shaping the conditions for development of investments in transport, energy, telecommunications infrastructure, environmental protection and also housing industry.

*Modernization  
and expansion  
of the  
infrastructure -  
an economic  
and civilizational  
requirement*

#### a) Transport infrastructure

The main aim of supporting investments in transport infrastructure will be optimisation and raising the quality of the transport system of the country, taking into consideration the external costs of transport activity, incurred by the society and the economy, including costs connected with the influence of transport on environment and health. Optimisation of functioning of the transport system will be favoured by aiming at its integration in the branch and territorial system, as well as raising the operational parameters of the transport networks. Reducing the tiresomeness of transport for the environment will be

achieved by supporting alternative forms of transport towards the road and air transport, as well as leading the traffic of cars beyond the densely populated areas, realization of attendant facilities and protection devices and, in case of new infrastructural facilities, by selecting places of their localization and roads of their run the least colliding with the need of environment protection.

A priority will be ensuring communication accessibility of Poland, its regions, and especially main economic centres. For this purpose the pressure will be placed on connecting the main economic centres in Poland by a network of modern transport corridors, ensuring their connection with the international transport network and on ensuring communication accessibility to those economic centres for the areas surrounding them, especially for the rural areas.



*It is essential to  
build a network  
of motorways  
and express  
roads*

In the road transport ensured will be first of all the continuity of traffic between the main centres on the transit roads by building a coherent network of motorways and express roads, especially within the TEN-T system, and also by modernization and improvement of operation parameters of the network of roads constituting connection with that system. This will enable to fully include Poland in the European road system. Improved also will be the technical condition of the existing road infrastructure, which currently constitutes an essential barrier of development. Increased will be country roads according to the EU requirements. To a greater and greater extent national and transit roads will be led outside of cities by building ring roads. The above-mentioned activities will be supplemented by development and modernization investments undertaken by self- governments of all levels.

*Improvement of  
road safety*

Proper design of new and modernization projects in this area, with the full respect of proper regulations of law and usage of foreign and domestic „good practices”, should significantly contribute to improvement of safety on roads and as little as possible threaten the environment. Parallel with the development of infrastructure must be conducted prevention activities ensuring improvement of respecting regulations on the safety of road traffic and actions supporting rescue teams.

Improvement of safety, reduction of „bottlenecks” and improvement of the quality of life of residents will be effected also by investments in **public transport systems**, increasing the role of this transport as an alternative for individual automotive industry, especially in conglomerations. Here essential will be among others introduction of integrated systems of traffic-management systems, preferring the public transport, creation of integrated transport links and integrated plans of development of the city transport, as well as building and extending the public rail transport (undergrounds, fast city railways, fast trams, suburb railways network) and solutions of public access to airports. In the public transport improved will be standard and condition of safety and availability for older and disabled persons, among others by modernizing and adaptation of the vehicles. An essential and urgent issue is also regulating ownership of lands earmarked for public roads.

Increasing the share of railway in passenger and goods transport requires significant improvement of the **quality of railway services**, especially in the context of approaching opening of this sector to a strong competitive pressure on a Single European Market. Therefore investments will be supported enabling raising the operational parameters of the main transport roads, including increasing possible speeds of transport and increasing inter-operativeness of railways, as well as a parallel improvement of the standard of vehicles. Expected is supporting the construction of the fast railway transport system integrating the Poland's metropolises. Investments in railway infrastructure will be directed first of all on eliminating „bottlenecks” on lines with a large strength of transport, i.e. between larger conglomerations, and on restructuring and modernization actions. Stimulated will be moving the heavy traffic, one dangerous for people and environment from roads to railway. Supported will also be investments in infrastructure of the intermodal transport: in building and modernization of generally accessible logistic centres, container terminals on railway lines, in ports, and also implementation of information systems enabling tracing the loads and service of logistic centres. We expect implementation of a system of modern railway connectivity GSM-R and the railway traffic management-system (ERTMS). As far as possible and with taking into consideration the economic rationalization made also will be efforts to maintain sub regional railway connections.

*Better use of  
railway  
transport*

In the **water transport** branch realized will be conception of sea motorways and increase of the importance of ports. Stopping the regress in the sea transport

*Use the sea  
transport*



will be served by raising the attractiveness of Polish ports (mainly by investing in the port infrastructure, ensuring an efficient road and railway access to sea ports, improvement of logistics management), renewal of the fleet, speeding up the restructuring processes. Strengthening the role of port centres will take place also by development of round-port services. On account of a big environmental and economic significance of sea ecosystems, and also on account of their high susceptibility to degradation, in these actions a special attention will be paid to mineralising the possible negative effects for environment. Realized also will be projects aimed at renewal of the fleet and raising the water inland transport share in transport of cargo and tourist transports, especially where the development of this form of transport will be possible on the basis of already existing hydro technical investment, after its possible modernization or renewal.

Development of the **air transport** will be connected with modernization and build-up of infrastructure and equipment in airports, improvement of availability of the air transport and airports among others by building and modernizing airports with an international importance, as well as regional ones and the road infrastructure. Airports should be included in the national and community intermodal transport network, which requires among others modernization of the navigation infrastructure. Continued will be works on conception and realization of the second central airport, according to the Programme of developing the network of airports and air ground devices. The air emergency unit will be subject to improvement and investments.

Speeding up the construction of the transport infrastructure may be facilitated by developing the cooperation between the public and private sector within the public private partnership.

#### b) Housing infrastructure

##### *Housing development programme*

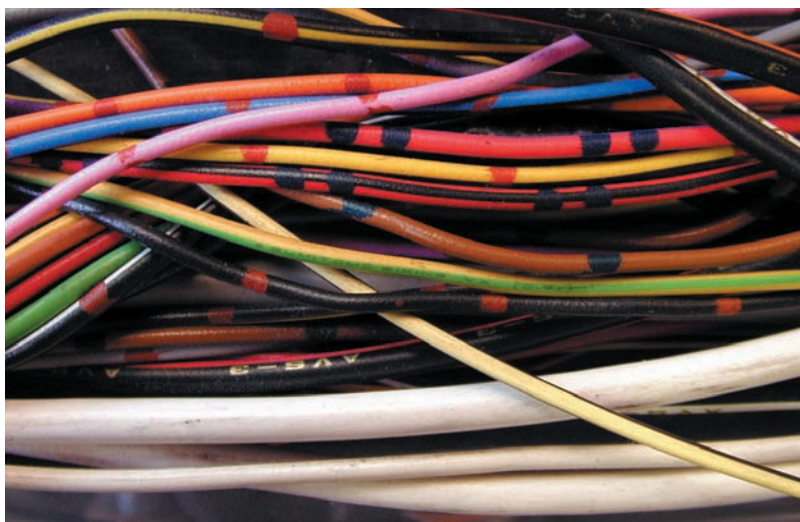
Institutional and financial incentives will be created for investing in the housing sector. Various forms of construction (privately-owned flats, social tenement flats, social flats) will be supported, with the use of diversified instruments. Reconstruction and revitalization investments, including usage of post-industrial and other buildings, will be promoted, which will allow for an effective development of the space and the infrastructure. At the same time activities will be undertaken in order to inventory the resources in which dangerous materials were used and replace these materials with modern ones.

Raising the investment attractiveness of towns and the development of the housing industry depend on eliminating the legal and administrative barriers in order to improve the investment process, activities which speed up the adoption of local land development plans and fitting out the lands. Therefore, regulatory activities will be undertaken, as well as equipping the lands with the basic media will be supported, including construction of sewage, water-supply, gas and energy networks. It is assumed that these investments will be conducted in a complementary manner to the modernization of the transport infrastructure.

#### c) Communications infrastructure

##### *Developing information and communication techniques*

Raising the competitiveness of the economy and alignment of the development opportunities of the Polish regions is not possible without modern IT technologies and broadly available services of the public and business sector. Therefore the development of IT and communication techniques is projected. Undertakings which develop various models of communication and a fast and safe access to the Internet (in particular the broad-band access) will be supported, as well as creation



of access points and increasing the coverage with the communication network to the whole country. Liberalization of the telecommunication services market will create favourable conditions for increasing the availability and lowering the prices of those services. Regardless of that the state, the government and self-government administration will create points of public access to the internet. The development of the telecommunication infrastructure of the public administration will be accompanied by an increase of an offer and improvement of the public services' quality and development and availability of the information resources of the administration in an electronic form. Development of the telecommunication infrastructure in the tax administration and the judiciary will be supported. A system of an electronic access to medical and educational services will be also developed. Among many new applications, the crisis management systems and the police will be included in the telecommunication network.

#### d) Energy infrastructure

Creation of solutions for investments and modernization of assets in the production, transmission and distribution in energy sector will contribute to improvement of the energy security of the country. The most important tasks will be an improvement of the efficiency and quality of using the main national energy carriers, that is hard bituminous coal and brown coal, developing innovative technologies of producing energy from these fuels and diversification of the energy sources, particularly the supplies of fuels, especially gas and petroleum. Thus, import of the natural gas is planned from new directions, e.g. via a new direct infrastructural connection of the Scandinavian resources from the territory of Poland. Other sources and methods of sending this fuel are also considered, as well as petroleum (e.g. from the Caspian region). An increase in the extraction of the local gas is also planned, as well as starting actions in order to implement the technology of hard coal gasification and production of synthetic petrol.

The effectiveness of the energetic enterprises will improve, especially as a result of the liberalization of the energy market. Creation of strong organizational structures of energetic companies is expected, which will be able to compete in the international market. The transmission systems and the cross-border connections will be developed, which will improve the energetic safety and increase

*Essential  
diversification of  
energetic supplies*

the possibilities of participating in the European market of the electric energy. Development and investment works will be continued in the scope of the renewable energy sector as an alternative source of supplying the economy. There will be a growth of the share of the primary energy production from the renewable sources of energy (taking into consideration the environmental conditions, particularly with the large-surface cultivations of energetic plants or large wind farms).

*Alternative sources  
and new  
technologies of  
producing energy*

New, economically efficient technologies of producing energy will be promoted and financially supported. In the field of prospective energy carriers it will be necessary to start activities to use the hydrogen energy and producing energy in nuclear power stations. Diversification of the supplies of the natural gas is expected through the import of liquefied LNG gas, which first of all requires building a receiving terminal for unloading it and the infrastructure needed to decompress it and introduce to the transmission network. As a result of a growing consumption of the natural gas it will be necessary to urgently increase the storage capabilities of this gas and expand the distributional networks.

**e) Environment protection infrastructure**

*A wide scale of  
needs and  
investment  
activities*

In the scope of the environmental protection undertakings connected with purifying sewage, providing high-quality potable water, managing waste and reclamation of degraded lands, protection of air, protection against noise, oscillations and vibrations will be supported. Therefore, construction of sewage treatment plants and sewerage systems will be supported, and activities will be undertaken to limit channelling of harmful substances (including those used in agriculture) to waters. Activities will be implemented to reduce emission of and dust coming from the municipal-life sector and the industry, in particular from the energy sector, as well as thermo modernization undertakings. Preparation and implementation of long-term business development programmes is desirable, with ensuring to maintain or reduce the CO emissions in accordance with requirements of the country development and with international obligations. Support of creating modern systems of waste utilization waste is also expected. With the public support, undertakings will also be realized in the field of the protection of nature and biological diversity, including creation of a European network of protected areas NATURA 2000, protection and forming of the landscape, and moreover development of national and landscape parks as an expression of preoccupation with retaining the natural heritage. Activities will be also promoted in the scope of protection against natural disasters (in particular against floods and their effects), including activities of a legal and organizational character, and technological threats, as well as activities concerning increasing the forest resources. Technical operations in the scope of flood protection will include, first of all, modernization and reconstruction investments, as well as the development of small, artificial retention and the construction of polders. They will constitute an essential supplement of activities concerning the natural retention.

**SOCIAL INFRASTRUCTURE**

*Social services  
shape the quality  
of human capital*

Raising the standard of living of the residents signifies, apart from investments in the technical infrastructure, also the necessity to provide a sufficient access to education and medical, welfare and social services, services connected with the administration and the judiciary, as well as leisure infrastructure. Infrastructure of the social services, understood both as physical infrastructure, and the quality of the services rendered, is aimed at forming the quality of the human capital.

#### a) Educational infrastructure

In order to ensure a high quality of the education qualified staff, effective management, evaluation system and a proper material base on all levels of education is necessary, with reference to both the public entities, as well as to non-public education institutions.



Extension and modernization of the educational infrastructure will be subordinated to providing an equal access to good-quality education, especially to children and young people from villages and small towns. However, these activities must take into consideration the demographic changes and the necessity of social and economic optimization of a school network connected with those changes (understood more broadly than just closing small schools). Therefore, in order to improve the accessibility it will be necessary to extend the social and life buildings (dormitories, canteens, day-care rooms) and improve the system of transporting children and teenagers to schools. Another direction of the education infrastructure development will involve creating conditions for vocational education, including practical training and promotion of life-long learning.

*Increase the  
availability  
of education*

Moreover, expansion of the educational infrastructure will be directed at promoting pre-school education, both in towns, and in rural areas.

The technical condition of schools and educational institutions will be improved, as well as equipping them with didactic means and other equipment essential for conducting a didactic process (including the Internet, multimedia). The sports infrastructure will be extended.

*Improve school  
equipment*

Reorganization of the education system will also be aimed at limiting the financial barriers of access to the education. Thus, activities will be undertaken aiming at, among others, lowering the costs of purchasing school books and didactic materials and developing the scholarship systems.

In order to improve the quality of education it is necessary to prepare and implement an effective system of evaluating the quality of schools and teachers' work with a modification of the professional promotion system in education that would be aimed at promoting good teaching.

#### b) Health care and social infrastructure

##### *Improve the base and functioning of the health care system*

Improvement of the efficiency of the health care system functioning and adapting the health care to the dynamics of long-term demographic trends is projected. These activities, in connection with promoting a healthy lifestyle, aim at providing improvement of the health condition of the society in an extent that reduces the distance between Poland and the average level of the health condition of the population in the European Union. In order to achieve that a better usage of the existing health care infrastructure is expected, as well as its constant modernization, of both the public entities, and by developing non-public institutions. Investments that will increase the quality and competitiveness of the health care services provision (among others, modernization of institutions rendering medical services, purchase of modern diagnostic, healing and rehabilitation equipment) and their availability for all citizens (also through an efficient information and transport system. Improvement of the information system in the health care can be helpful, including construction of a nation-wide electronic register of medical services that would also help to streamline the sector's expenses. Construction, revitalization and furnishing the network of health care institutions and networks of hospitals should be adapted to trends of the morbidity rate and incidences of diseases in the society and to the development of treatment methods and take into consideration the economic rationale, as well as to the concept of an integrated system of first-aid services. Investments in the first-aid infrastructure, including modern communication and IT systems, will create favourable conditions for that. It is also necessary to continue the existing national programmes of fighting civilization diseases and preparation and implementation of new ones. Reinforcement of the prophylactic health care for pupils and prevention of professional diseases is also expected.

##### *Medical rescue infrastructure*



Improvement of the health condition of the society will have a beneficial effect on the competitiveness of the Polish economy, and as a result, on relative reduction of a burden for the public finances.

Investments in institutions that provide social services for elderly, disabled persons, children and persons suffering from social pathologies are also essential. At the same time activities are essential in order to reinforce the staff of those institutions. This will allow to increase the availability of the social services and their quality and to reduce the scale of the social exclusion phenomenon present in the country. An obligation to limit the problem of homelessness is connected with this. Conditions will be created (including the material base) for excluded persons to return to independence and professional activity, as well as the full access to the educational services.

*Required investments in social services facilities*

### c) Cultural, tourist and sports infrastructure

At the national, local and regional level construction and modernization of cultural institutions will be supported (including institutions for children and teenagers) that allow to promote cultural achievements and strengthen the national identity, as well as ties within the local communities by preserving and promoting their heritage. An activity that can improve our country's image in the world is supporting and promoting eminent national artists and outstanding works and products of the Polish culture. Institutions of the national status will play a special part in promoting the highest-quality culture. Modern, adapted for a contemporary consumer institutions will contribute not only to promoting the national and world culture and creating favourable conditions for an international integration and exchange, and but also to supplementing the tourist offer and managing residents' leisure-time. Simultaneously with building new cultural institutions, activities will be developed aimed at maintaining, protection and revitalization of the material cultural heritage, through renovation, preservation, adaptation of historical monuments for cultural and tourist purposes, as well as implementation of a monitoring and protection system of these buildings. These activities will also relate to religious cult buildings. Direct availability to cultural objects should be accompanied by creating a platform of virtual access to the Polish cultural resources. This will be possible thanks to promoting information on tourist and cultural education offers in the Internet network.

*Investments in cultural infrastructure – promotion of Poland*

Activities to create a tourist infrastructure will also be supported. In order to function and compete on the tourist market, Polish towns and cities must have a rich range of services which require creation or extension of buildings of the following bases: accommodation, gastronomic, conference bases, recreation and entertainment infrastructure. Moreover construction of tourist and recreation buildings is expected in health-resorts, as well as development of post-industrial and post-military buildings and lands for tourist purposes. Complex tourist routes will be developed, understood as a group of accommodation, gastronomic, information infrastructures and accompanying (para-tourist) infrastructure, concentrated around tourist attractions constituting the core of the route. Poland has at her disposal various, often unique on the European scale natural endowment that can form a basis for the development of specialized tourism, as well as ordinary tourism (habitats of birds, game, forests, lakes, mountains). However, one of the basic factors behind the development of tourism is availability of the lands and buildings, but this depends first of all on condition of the transport infrastructure.

*Investments and support for tourism*

At the same time promoting sport will be supported as an essential factor raising the level of the physical condition and preventing the negative phenomena and social pathologies. Creating new sports and recreational objects available to the citizens and modernization of the existing ones will increase opportunities

*Development of sport*



of spending free time in an active way and promoting a healthy lifestyle. Access of the disabled persons to various forms of sports and recreational activities will also be improved. In the field of competitive sports organizational and financial conditions will be improved in order to open new clubs, and the same time to continue the activity of the already existing ones. As it is recognized that the natural direction for a competitive sport is its professional aspect, the adopted organizational and financial solutions relating to the development of a professional sport will be perfected. Building modern sports objects of a national status will be a complement of this type of undertakings. Initiatives of local governments and social and support organizations acting in these fields can play a significant part in the development of sport.

Some indicators of the realization of the priority No. 2 of the Strategy are presented in the table below.

	Indicator	UE-25		Poland	
		Value of the indicator the base year (2005)		Projected value of the indicator	
				2010	2015
<b>Priority II</b> <b>Improvement</b> <b>of the condition</b> <b>of the technical</b> <b>and social</b> <b>infrastructure</b>	Total length of express roads (km)	x	258	901	2890
	Total length of motorways (km)	x	552	1629	1913
	Energy-consumption of the economy (kg of contractual fuel per 1 EUR of GDP in 2000)	.	0.27	0.24	0.20
	Share of electric energy from renewable resources in its total consumption (%)	13.7 (2004)	2.6	7.5	9.0
	Emission of air pollution (kg per capita)				
	- SO <sub>2</sub>	17 (2003)	36 (2003)	22	15
	- NO <sub>x</sub>	24 (2003)	21 (2003)	17	15
	Recycling of packing waste (% of total introduced packaging)	.	28.3 (2004)	min. 38	55-80
	Percentage of residents served by water treatment stations	.	60	75	85
	Deaths on account of cardiovascular diseases (number per 100 thous. residents)	.	442	400	380
	Foreign tourists (arrivals in million of persons)	.	15.2	18.3	22.0

Source: Poland - unless otherwise stated - data of the Central Statistical Office, Ministry of Finance and Eurostat; UE-25 - Eurostat.

### Growth of employment and raising its quality

Effective usage of work resources should support the economic growth and reduction of disproportions in the regional development. Growth of employment is the basic factor of reducing the threat of tensions and social incohesion.

Poland needs to create a large number of high-quality new jobs as soon as possible, in particular for young and educated persons. Such jobs can be created in the industry, and first of all, in services. Moreover, activities are needed that will allow persons aged 50 and older to remain on the job market. Positive activities are necessary in order to raise the level of education of persons with low qualifications who are not professionally active, or are in danger of losing their jobs and create more job opportunities for this group.

Macroeconomic conditions constitute a key factor of the growth of employment, in particular a lasting, high economic growth, stability of the currency and high rate of investment growth. The basic microeconomic conditions are, first of all, the development of entrepreneurship supported by elimination of organizational and administrative barriers and the stability of the principles of conducting business activity and flexible pay mechanisms, as well as the growth of access to capital, in particular for small and medium-size enterprises.

*Macroeconomic conditions key for the growth of employment*

The following actions will create favourable condition for realization of one of most important tasks of the state, which is growth of employment:

- a) Creation of favourable conditions for entrepreneurship and reduction of burdens placed on employers.

Elimination of all organizational and administrative barriers of conducting a business activity and introduction of simplifications for persons starting it create favourable conditions for entrepreneurship. In order to make a decision on conducting a business activity and increasing employment it is essential to provide the stability of the regulatory environment. An important solution improving the “entrepreneur-administration” contacts is implementing interactive services of an electronic administration (e-administration).

The undertaken activities will be directed at simplifying the procedures and lowering the costs of establishing and conducting a business activity, as well as counselling for persons starting such activity for the first time. A fundamental

*Lowering the non-wage costs of labour*

challenge is creation of conditions for greater profitability of employing workers. This requires, first of all, a gradual lowering of non-wage costs of work, in particular within obligations imposed on an employer by the tax and insurance system.

Lowering the costs of employment will create favourable conditions for limiting the size of the so-called grey area and moving part of the labour resources to the legal employment.

**b) Promotion of flexible forms of employment and growth of mobility of work resources**

*Promote flexible  
and alternative  
forms of  
employment*

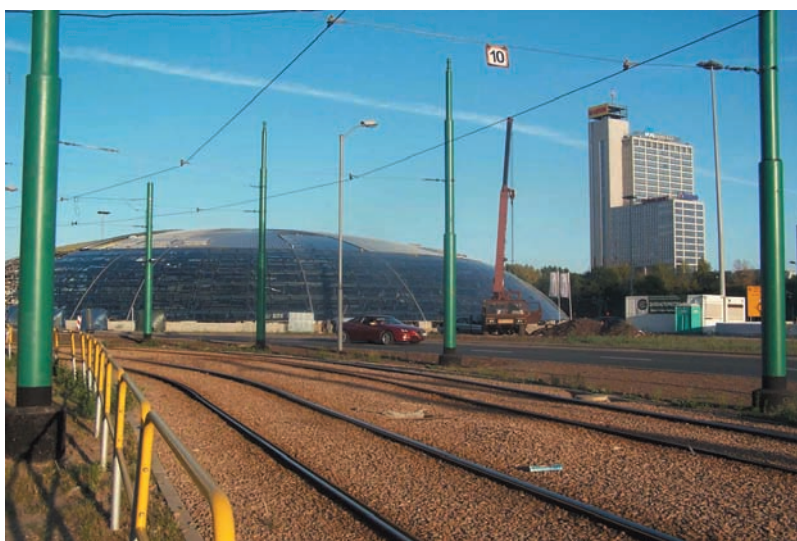
Creating new jobs requires, among others, promoting and applying on a greater scale than until now of flexible and alternative forms of employment (self-employment, part-time work, temporary work, seasonal work, tele-work, etc.) and organization of time and conditions of work. The undertaken activities will aim at implementing more rational legal solutions, which will create favourable conditions for easier management of work resources in adapting the employer's economic situation and the requirements of the job market, as well as take into consideration the specificity of functioning of small enterprises. Realization of those activities will require a closer cooperation with the social partners and preparing with them mechanisms preventing expansion of jobs paid below the minimal wage level and the qualitative degradation of jobs.

An essential condition for wider usage of flexible and alternative forms of employment is providing for a universal and cheap access to the Internet.

*Increasing the  
professional  
mobility*

Another challenge will be creation of conditions for the growth of a professional mobility, among others, by a wider participation of employees in life-long education and enabling employees and job seekers a repeated change of professions and specializations.

An essential condition to increase the mobility of the job market resources is also efficient public transport, which will enable taking up work outside of the place of residence and optimizing the time of commuting. Equally important is an active housing policy, which will make it easier for work resources to follow the work.



A proper level of remunerations, although it is difficult to achieve, will create favourable conditions for increasing the mobility and facilitate making a decision on working beyond the place of residence.

### c) Initiatives for the equal opportunities on the job market

An important task is to prepare and realize long-term programmes of restoring to the job market persons staying outside it (including in particular persons unemployed for a long time, with a special attention to programmes stimulating groups of people in the most difficult situation on the job market, i.e. young graduates, women, persons aged 50 and older, the disabled).

*Professional  
stimulation  
programmes*

The growth of opportunities of employing women, especially in the services market, has a special significance, which, taking into account their average higher level of education should be beneficial for the economic units.

Stimulation of the unemployed and persons threatened with social exclusion will be effected, among others, by increasing the availability and expanding the forms and methods of job - search, and also by a greater availability to the employment agency services. Initiatives for professional re-skilling will have a big significance.

Share of the social economy sector – non-governmental organizations – in the employment process will be enhanced, among others, by such activities as: realization of programmes supporting employment and promotion of non-governmental organizations as employers, as well as connecting employment in non-governmental organizations with supporting group threatened with social exclusion. Programmes of social employment and social enterprises will be pursued, with as broad as possible participation of non-governmental organizations.

*Nongovernmental  
organizations  
as employers*

To a larger extent the possibilities of creating jobs within the pro-environment activities, such as ecologic agriculture, protection of nature and landscape, ecotourism, alternative energy sector (the so called green jobs) will also be used.

*„Green” places  
of work*



Programs of professional stimulation (traineeships, trainings, professional consultancy) addressed to young people will be aimed at increasing their attractiveness on the job market. The programmes will include a greater pool of young people than until now. An important element of stimulating this group will also be the promotion of entrepreneurship and creation greater opportunities to set up own companies for young people. In order to do that, among others, a network of enterprise-incubator institutions established in higher education schools, economic associations and non-governmental organizations will be developed.

*Connecting  
professional and  
family functions*

It will be essential to create conditions for connecting professional and family functions by, among others, introduction of mechanisms that facilitate part-time employment, making the organizational conditions of work more flexible for persons bringing up small children or caring for dependent persons (an opportunity to work at home). Apart from using flexible forms of employment and work organization it is important to provide a general access to cheap and good-quality care for children or dependent persons. Moreover, it is advisable to gradually introduce the pro-family elements in the tax system, so that they encourage the entrepreneurs to employ persons bringing up children or providing care for dependent persons.

Within the policy of maintaining employment of persons from the 50+ group it will be essential to continue the pension reforms along with limiting the institutional encouragements to earlier retiring, increasing the effectiveness of the health prevention, as well as promotion of maintaining employment of persons from this group in enterprises. Activities will be continued supplementing or raising the professional qualifications and competence, directed at a better usage of professional experience.

*Work for the  
disabled*

An important issue is also facilitating the access to the job market for the disabled. On the one hand, activities will be undertaken to simplify obtaining qualifications useful in the job market for the disabled, and on the other hand, mechanisms encouraging the employers to employ disabled persons will be improved. A health and social rehabilitation plays a big part in the professional integration of the disabled. Thus, institutions providing this kind of rehabilitation will be expanded and supported. A better adaptation of the local infrastructure to the needs of the disabled is an important condition of simplifying their access to the job market.

**d) Adapting the educational offer to the requirements of the job market**

*Schools should  
prepare for  
work better*

Among others, raising the quality of education at schools of all levels and increasing the percentage of learning adult persons will create favourable conditions for the improvement of education and qualifications of working persons and persons entering the job market. Activities will be undertaken in order for the schools to better prepare for employment in the contemporary economy by teaching foreign languages, teaching enterprise and innovativeness, promoting computer skills, teaching how to manage own career. A greater emphasis will be placed on the growth of skills in the field of science; usage of technology in the contemporary world and processing of information requires proper qualifications.

The importance and quality of vocational education should be restored (basic vocational schools, secondary technical schools, post-secondary schools. It will be necessary to increase the significance of the practical learning of a profession,

mainly by strict cooperation with employers. Such attitude to vocational training will increase the graduates' chances on the job market and will enable to adjust the qualifications to the needs of a specific job. Development of module programmes will also contribute to that, as well as enriching the offer of post-secondary education and vocational education at the academic level. Vocational education should enable obtaining of a professional specialization recognized also in other EU states.

*Restoring the significance and quality of vocational education*

The distance learning system will be developed and promoted, also in villages, which will enable to obtain and supplement professional knowledge and qualifications in non-school forms. This will require providing for a proper quality of this form of education.

One of the requirements of the competitiveness in the modern economy is adaptation of enterprises and employees. Therefore activities will be undertaken to develop life-long learning, both in an educational system (education and higher education), as well as beyond it. These activities will concern both increasing the availability and enriching the programme offer of schools and educational institutions, and the creation of permanent mechanisms for updating and developing professional qualifications at work, particularly for older employees or employees with low qualifications. Preparation and implementation of a national information system on possibilities of life-long learning in individual regions of the country is foreseen. At the same time incentives will be introduced to invest in education, both by employees, and by employers. An important task will be to create the National Framework and the System of Qualifications, which will enable to recognize the earned qualifications by the employees in the country and abroad.

*Development of life-long learning*

In order to form the vocational education programmes it will be necessary to improve the system of forecasting the demand for work, so that the educational offer is adequate to the requirements of the job market. The system, by indicating the niches of the work supply, should contribute to supplementing the educational (training) offer at the level ensuring a selection of skilled, competitive staff, as well as allow for a transfer and circulation of information on the current situation on the job market and expected changes.

*Improvement of the system of forecasting the demand for work*

e) Developing institutions of a social dialogue and strengthening the negotiation system of relations between employees and employers

Improvement of adaptive abilities of employees and enterprises and using the flexibility of the job market will require improvement of the social dialogue institutions, both in the macro social dimension, and at the level of functioning of each economic organization.

Activities in this area will be concentrated on increasing the role of a social partnership providing balance on the Polish job market, strengthening a peaceful solving of conflicts at work and implementing a two-channel (i.e. trade unions and employees councils) system of informing and consulting with the employees.

*Role of social partnership*

These undertakings will contribute to building institutions of an effective social dialogue in cases concerning employment, a more rigorous observance and a more effective execution of the labour law, creation of an institutionalized system of mediations, conciliation and arbitration for individual and collective labour relations and creation of employees' representations and popularization of this form of employees' activity.

f) Improvement of the safety and working conditions

Activities will be continued in order to create a friendly work environment. Initiatives will be supported in the field of an effective prevention and limiting of the professional risk at enterprises and the development of education and trainings in the field of safety and health protection of employees. Efforts will also be continued to adjust the working conditions in Poland to the EU standards.



Providing proper safety and health of work standards and standards of the labour law will require increasing the effectiveness of the public work inspection services.

g) Growth of the effectiveness of the institutional labour market services

*Development of  
employment  
services*

In order to assure a growth of the effectiveness of the institutional service of the job market, it is essential to strengthen the cooperation between the public employment services, social services and entrepreneurs, as well as to increase the role and tasks of the social services in professional stimulation of person threatened with exclusion.

Introduction of a new model of the institutional service of the job market will create favourable conditions to increase the effectiveness of functioning of the employment services, so that it can be undertaken in a wider extent by commercial subjects, as well as non-governmental organizations acting on local job markets. For that purpose introduction of a system of contracting services rendered for the unemployed and persons looking for a job is expected. The development of non-public employment agencies will be supported, and the creation of a cooperation system of the public employment services with these agencies (including e.g. a common information base concerning the job market) will be aimed at that development. The role of partner institutions in the employment services will be increased. At the same time it is essential to provide a clear distribution of competences and a better coordination of actions of the public employment services with the self-government, units of social assistance, educational institutions, the business, trade unions and non-governmental organizations. Opening the employment services market should be accompanied by care for the quality of those services, among others, by raising the qualifications of personnel.

## h) Conducting a rational migration policy

A properly conducted migration policy should be one resulting from an optimal use of the labour resources. In a situation of a high unemployment employing foreigners will have a complementary character and will reflect the real needs. However, standards and international treaties must be respected, including commitments resulting from Poland's membership in the EU.

*Supplementary employment of foreigners*

In a long-term perspective, reducing the number of population in a productive age will also occur on the Polish job market, similarly to most EU countries at the moment, which can result in shortages of employees with various skills. Therefore an essential element of the labour migration will be to prepare proper principles and conditions of admitting foreigners to the Polish job market on the basis of analysis of the migration balance. At the same time solutions will be introduced, aiming at preventing the creation of possible shortages of specialist staff from various fields on the job market.

The system of monitoring the job market requires preparation and implementation in the context of an international mobility (creation of a migration database); on the basis of this system proposals of migration policy will be prepared.

As a result of its accession to the EU, Poland will gradually gain a full access to the community labour market, which will have effect on a growing mobility of Polish employees on the said market. In connection with the already increased wage migration of Poles abroad (including especially graduates of schools and universities), the incurred costs of education and the shortages of qualified staff on the national job market become a growing problem. It induces the development of informative, organizational and other actions, encouraging to stay and pursue the professional career in the country and to return to the country and invest in Poland. Particularly, conditions will be created giving a possibility of using the knowledge and skills acquired abroad in the business activity in Poland. A separate task will be to build an institutional protection of interests of Polish employees abroad.

*Preventing negative effects of employment migrations*

Indicators of the realization of the priority No. 3 of the Strategy are presented the table below.

	Indicators	UE-25		Poland	
		Value of the indicator in the base year (2005)		Projected value of the indicator	
				2010	2015
<b>Priority III Growth of employment and raising its quality</b>	Employment rate: (%)				
	- of persons aged 15-64	63.8	52.8	57.0	62.0
	- of women aged 15-64	56.3	46.8	51.0	53.0
	- of persons aged 55-64	42.5	27.2	31.0	37.0
	- of the disabled	.	13.1 (2004)	18	25
	Unemployment rate of persons aged 15-24 (%)	18.5	34.6	26.0	18.0
	Percentage of persons with a secondary education in the population aged 15-64 (without basic vocational education)	.	35.2	38.0	41.0
	Percentage of persons with higher education in the population aged 15-64	.	13.9	15.0	18.0
	Graduates of mathematical, natural science and technical fields of study (% of graduates of higher education schools in total)	24	15 (2004)	20	25
	Percentage of learning and training persons aged 25-64	11.0	5.5	7	10

Source: Poland – unless otherwise stated – data of the Central Statistical Office, Ministry of Finance and Eurostat; UE-25 – Eurostat.





# PRIORITY

4

## Building an integrated social community and its safety

The quality of life is also defined by integration of the community, in which every person and every family can realize its life plans and aspirations and get support in a difficult situation. In such a cooperating community they can enhance their chances, as well as act for the common good.

The quality of life is shaped by the sense of external and internal safety.

### INTEGRATED COMMUNITY

An integrated community requires, first of all, a feeling of local solidarity, a guarantee of safety and a sense of safety. The sense of the significance of a citizen's influence on the social, economic and professional matters, spatial development and the condition of the surrounding natural environment, among others by the social dialogue practice, is also important. Therefore

*Strengthening  
the pillars of the  
integrated  
community*



the operation of various forms of the local and trans-local social activity and supporting the activities of non-governmental organizations and the civil education is desirable. The development of a social dialogue and a civil dialogue has a particularly important significance. For this purpose it is advisable to conduct a public debate, aiming at preparing a concept of a citizen-friendly and efficient state administration, which will increase the citizens' trust for the public authority.

A stable and effective public authority influences the growth of citizens' activity, intensifies the identity (national, regional or local one) and organizational capabilities of the society.

Tasks enhancing the social community and functioning of the public authority will be concentrated on the following activities:

**a) Building an efficient public authority which deserves social trust and preventing corruption**

Public authority should be a reliable partner for others (citizens, civic organizations, entrepreneurs' organizations, expert organizations). In order to achieve it, an administration serving the state and the society must be open, transparent, dialogue-oriented, efficient and adaptable.

*Simplify the  
administrative  
procedures*

Therefore coordinated activities are essential that will simplify the administrative procedures and enhancing the staff potential and the technical and technological modernization of the public sector that will increase its efficiency. In cases where it is possible, it will be beneficial to entrust the social partners with the realization of some public tasks.

In this field reinforcement and introduction of the functional reforms are projected, also in the judiciary and the prosecution. Among others, simplification of the judicial and administrative procedures is expected, as well as a greater efficiency in making rulings and their effective enforcement and a reform of the police which will increase professionalism in its actions. A better telecommunication infrastructure and equipping with communication media will create favourable conditions for the improvement of functioning of the prosecution, judiciary, the prison system, and other public order institutions, as well as improvement of functioning of the national court register. It will be necessary to conduct the reform of law and functioning of the public administration, as well as to build a national integrity system that will help in the process of preventing corruption in the public sector, among others, thanks to a wide participation of citizens, the private sector and the mass media in the social life.

**b) Supporting of self-organizations of local communities**

*Support for  
local  
initiatives*

One of the elements of the Strategy is to build integrated and civic-conscious communities, first of all at the local level. It is important to support initiatives in the field of the local economic development, creation of jobs, education, environmental protection, charity, etc. An essential purpose of the government and local self-government should be reinforcement of the civic capital and supporting the civil society – a possibility to articulate interests and needs of the civic society and acting in order to realize them, among others, by social self-organization. It will be necessary to form the civil infrastructure, such as e.g. voluntary work centres, access to free civic counselling and information and places, where civic initiatives can be born.

The public order and safety system will be based on the cooperation of central authorities with the local government and local communities. Activity of councils of housing estates and village councils will be supported (at a lower level than gminas). Opportunities of transferring some competences of gmina councils to the housing estate councils will be extended. Initiation and support of social education programmes aimed at building a social cohesion, promoting pro-environment attitudes and the cultural identity will constitute a supplement of these activities. They will also be aimed at shaping the abilities of common acting at the level of gminas or villages (housing estates), as well as non-governmental organizations.



Providing a good cooperation of residents and local authorities requires an effective development of e-government, implementing transparency of the decision-making procedures at the local level, participation of citizens in the decision-making process at the local level, initiation and supporting the local practice of the environmental police (using the experiences of other countries). Conditions will be created to develop mechanisms that incorporate citizens into co-deciding on their community, such as: social consultancy, local resolution initiatives, a democratic public debate, referendums and other. Moreover, local networks of social communication will be developed (local press, local internet websites, etc.).

*Citizens' participation in decisionmaking processes*

c) Promotion of the social integration policy, including the pro-family policy, especially in the scope of economic, care and educational functions

The policy in this scope should be enhanced by the common engagement of the active social policy of the state (government and self-governments) and the activity of the society. A strategic aim is to build an integrated system of the state's policy, whose effect will be an increase of the social integration, with mutual support of the social and economic policy and the growth of employment. In realizing this aim it is desirable to engage all subjects in designing, implementation and monitoring of the social policy.

The most important task of the social policy will be a system support for families, in particular in the first years of bringing up children, including activities in the field of health, existence, education and bringing up, as well as building a system supporting the connection of parenthood with the professional work. This requires complex initiatives both at the central level, and at the regional

*System support for families*



level, of the public administration, but also of non-governmental organizations, employers and local communities, including local voluntary work. As an effect of these activities we should expect the growth of the stability of families, increase of the number of children being born, as well as reduction of undesired effects, such as poverty and social exclusion inheriting. A programme supporting the poor families in satisfying their housing needs will be realized by facilitating the process of becoming the owner of an apartment.

Social integration and stimulation will be promoted, in particular the development of social employment institutions, social co-operative movement, social housing construction, professional and social rehabilitation of the disabled, as well as the development of social contracts and other activating instruments used by the social services. Activities will be conducted to create an integrative job market for persons in a difficult situation or persons threatened with social exclusion.

*Support for  
nongovernmental  
organization*

An active social policy requires engagement of the local communities. In order to achieve that, it is essential to extend and form the good quality of social services, as well as the development of the non-governmental organizations sector.

*Development of  
social services  
creates favourable  
conditions for  
social integration*

The social integration policy depends to a large extent on civil initiatives, civil dialogue and social participation. Such conditions promote a dynamic development of the social services which lead to integration.

An essential task is to build the sense of social safety connected with the level and the quality of health care services (including first aid), social aid services and the social insurance (disability benefits, the pension system).

It will be important too, in conditions of a longer life expectancy, to build a support system for the elderly persons, first of all, building a complex care system, activating and integrating elderly persons in the local communities and development of a long-term and palliative-hospice care. Lack of such approach, particularly lack of coordinated health support for the elderly persons can cause increase of the social exclusion in this group.

## EXTERNAL AND INTERNAL SECURITY

An essential task of the state is to:

### a) Provide for the national security and the sense of safety

The safety of a country is understood on the one hand as protection of the sovereignty and independence of the Republic of Poland, and on the other hand – as capability of an effective facing of global challenges, threats and external crises in the political, economic, social and military sphere.

This means a need of participation in international initiatives, including peacekeeping missions, activities to react and eliminate tensions and instabilities evoked by local conflicts, international terrorism, as well as natural or technological disasters. This requires a holistic and integrated civilian and military approach to solving conflicts and preparation of a national safety system for an effective reaction to possible challenges and threats. The role of non-military aspects of the national safety (energy, information, ecologic safety) is growing.

*The role of  
nonmilitary  
aspects  
of the national  
safety is growing*



Participation in NATO and their political and military transformation cause the necessity of Poland's participation in common in join actions of the allies. Moreover, membership in the European Union will still require a closer cooperation and realization tasks undertaken within the Common Foreign and Security Policy and the European Security and Defence Policy, including in the direction perspective – the European Security Strategy. Elements of these activities are, among others: European Headline Goal – EHG2010, Civilian Headline Goal CHG2008, and the EU rapid Reaction Forces, Combat Groups, EU operations and peacekeeping missions, cooperation within the European Defence Agency. Moreover Poland will continue to be an active member of the EU European Neighbourhood Policy.

*Membership in  
NATO and the  
EU – guarantee  
of safety*

Accession to the Schengen area and connected with it fulfilment of the Schengen standards in the scope of protecting external borders, police and judicial cooperation, protection of the personal data and building the Information System Schengen II remains Poland's strategic task, which will contribute to improvement of Poland's internal and external safety.

*Realization of  
the Schengen  
standards*

It is the Polish interest to reinforce good neighbourhood and partnership forms of exchange and cooperation with the neighbouring countries. It will be enhanced, among others, by the participation in realizing the European territorial (cross-border, trans-national and interregional) cooperation programmes.

#### b) Internal safety and public order

The state will act in order to prevent and reduce crime, including business frauds, terrorist threat, prevent and moderate the results of natural and technological disasters, and disasters caused by human activity.

Intensification of actions is expected to improve the internal safety infrastructure, improve the functioning of the judiciary, police, the system informing about threats and preparation of proper staff. Parallel prevention activities will be conducted which will ensure improvement of the road safety regulations' compliance; prevent occurrences of technical failures and actions supporting the first aid system and the safety of rescuers.

#### *Crisis reaction system*

Completion of works on the safety system, including the safety reaction system, becomes a priority. Such system should be based on an efficiently functioning national rescue system, coordinated with all rescue services, in particular with the medical first aid system. Realization of tasks in the scope of the national safety should include all structures of the state, from self-government bodies, on which a large portion of obligations connected with the defence and safety of the state rests. The model of a universal population defence system should be based on the primacy of the territorial system principle. This means a decision-making independence on individual levels of the territorial division and limitations of the ability of a directive interference of the supreme authority, until the moment of taking over the responsibility for the decisions made in crisis situations. A principle should also be adopted of partnership of citizens, members of the local or regional community in operations related with taking control over a crisis situation.



In cooperation with the local communities we should aim at creating effective local safety systems and support actions to improve the local safety, and especially aiming at limiting of the most intrusive for the citizens common crimes.

*Improvement of the local safety*

In order to prevent and counteract the crime, as well as other threats of the citizens' safety, cooperation with public services of the neighbouring countries and proper international organizations will be developed.

*Cross-border aspects of safety*

An essential task is also undertaking educational initiatives in the scope of a defensive preparation of the society and promotion of knowledge on the procedure in crisis situations.

Selected indexes characterizing the realization of the No. priority 4 of the Strategy are presented in the table below.

	Indicators	UE-25	Poland		
		Value of the indicator in the base year (2005)	Projected value of the indicator		
			2010	2015	
<b>Priority IV Building an integrated social community and its safety</b>	Percentage of children included in pre-school education	85.8 (2004)	38	50	55
	Participation in parliamentary elections (in % of the voters)	69.9	40.6	43	50
	Level of trust to the public administration <sup>1)</sup>	x	38	45	50
	Index of perceived corruption <sup>2)</sup>	.	3.4	5.0	6.0
	Index of detection of criminals (%)	.	56.2 (2004)	60	65
	Index of effectiveness of governing <sup>3)</sup>	.	0.58	0.75	1.0
	Index of the sense of safety (%) <sup>4)</sup>	x	46	50	60

Source: Poland – unless otherwise stated – data of the Central Statistical Office, Ministry of Finance and Eurostat; UE-25 – Eurostat.

<sup>1)</sup> According to CBOS research.

<sup>2)</sup> According to Transparency International; index of corruption perception (10 – means lack of corruption).

<sup>3)</sup> World Bank research; values from -2.5 to +2.5.

<sup>4)</sup> According to CBOS research Percentage of YES answer s to a question: Is Poland a safe country to live in?



## Development of rural areas

The policy addressed to the villages and rural areas that has been conducted for years has not led to lower the differences in the level of development and life between the city and the village. On the contrary, in the recent years the civilization gap between the city and the rural areas has been growing bigger. It is essential to form the policy and its instruments in such a way as to stop that process and significantly change the situation in the Polish rural areas.

*Essential reduction of civilisational differences between the city and rural areas*

Rural areas should become a competitive place for the residents of Poland to live in and conduct business activities. Such competitiveness means desirable (for economic and social reasons) and well-functioning services, both private and public ones, good infrastructure, efficient public transport, everything that in total makes life and work in the countryside or in a small town a real alternative for a large city.

The state's policy towards the rural areas must take into consideration both agriculture, and the non-agricultural development of the countryside. The aim of such policy is to raise the rural areas residents' quality of life in a more effective and consistent manner.

The directions of supporting the development of the rural areas must be complementary and should be supplemented with other national policies and strategies which define the main goals and development priorities of Poland in the field of the cohesion policy. A sustainable development of the rural areas is not possible without a direct and wide participation of the local community.

The development of the rural areas will be supported by:

### a) Development of entrepreneurship and non-agricultural activities

The economic revival of the rural areas is possible mainly thanks to small enterprises. Shift to the market economy has caused that a growing number of the residents of villages deal with the trade, service, craft (the so called petty production) and tourist business activity, using own resources of the agricultural farms. However, on account of a limited access to the financial resources, the non-agricultural business activity in the rural areas is still poorly developed.

*Development of a nonagricultural business activity*

It should be remembered that the rural areas is also a place that a processing activity is taking place, both in a macro, and in the micro scale. One of the important elements of supporting this sector, and in particular in the agricultural and food field, will be the realization of projects connected with modernization of agricultural and food processing plants, creating favourable conditions for improvement of competitiveness of the rural and forestry sector and the wholesale trade in agricultural goods.

Acceleration of the development of small and medium-size enterprise in the rural areas will be possible thanks to the realization of projects improving and developing the technical infrastructure, essential for conducting a business activity. The principle will be synchronization of the investment tasks with the spatial and urban planning. At the same time it will be important to care for the natural endowment of the rural areas, so that the economic development does not lead to an environmental degradation. The natural, landscape and cultural attractiveness of the rural areas constitutes also the basic condition of the agro tourism development.

#### **b) Growth of competition of agricultural farms**

Taking into consideration the low level of specialization of the agricultural farms, undercapitalization in the scope of agricultural production infrastructure and disintegration of the area structure that means a lower effectiveness of production, it is essential to provide proper support instruments and raise the financial outlays to cover the costs adjusting the agricultural holdings to the growing claim community requirements and an increased competitive pressure. In order to improve the competitiveness of agricultural farms, among others, the technical and organizational modernization of agricultural farms will be supported, as well as investments in new technologies, highly efficient equipment, and construction of drainage devices supplying water and having an effect on the results of the agricultural production.

Supporting the development of the so called integrated production, which constitutes the basis of managing farms in the EU countries, consisting in using a sustainable technical and biological progress in cultivations, protection of plants and fertilization and the animal production will have an effect on raising the level of effectiveness of the agriculture and adjusting the production to the customers' requirements and on maintaining a good position of Polish agricultural and food products on the EU and world market.



In the face of a growing problem of farms without successors, activities will be realized aiming at supporting young farmers, which can have an effect of improvement of the competitiveness of agriculture.

*Support for  
young farmers*

A great importance for the development of agricultural farms will have the possibility of realizing projects connected with the production of bio fuels and bio components, with keeping the binding norms, protecting the plant and animal production from an excessive intensification and modification.

Advisory services will also be supported, which as a consequence will contribute to the improvement of the effectiveness of the agricultural production.

An essential element is an opportunity for the farmers to use programmes supporting the development of the production and promotion of traditional and ecological products. This will increase chances for restructuring and improvement of incomes of small and medium-size agricultural farms.

Favourable conditions will also be created:

- for farmers to organize into producer groups and to promote durable connections between the agricultural producers and the processing plants,
- for the improvement of profitability of agricultural farms,
- for stabilizing the situation on separate agricultural markets.

#### c) Development and improvement of the technical and social infrastructure in the rural areas

An insufficient level of development of the infrastructure in the countryside not only lowers the standard of living and farming, but also results in its weaker effectiveness and a smaller attractiveness of the rural areas for potential investors. Therefore significant investments are essential aiming at equalizing the development disproportions between the rural and urban areas, which will contribute to increasing the economic, social and spatial cohesion.

*Improvement of  
infrastructure  
will increase the  
investment  
attractiveness*

Therefore, it is necessary to further invest in the technical infrastructure on the rural areas. Thus, projects will be supported in the field of: water supply and the sewage economy, creation of the system of collecting, segregating, transporting and utilising waste, development of the local infrastructure providing access to the Internet, electrification and re-electrification of the countryside and the transport infrastructure. These projects should be realized both by farmers, and by local self-government units.

Investments will also be supported in the sphere of: modernization of the public space, buildings fulfilling tourist, cultural and recreational functions and a traditional, regional rural housing construction. As an effect, this will contribute to the growth of the investment attractiveness, satisfying the social and cultural needs and influence the development of the identity of the rural community and maintaining of the cultural heritage.

#### d) Growth of the quality of the human capital and professional stimulation of the residents of the rural areas

In a situation of a poorly developed job market and a high structural unemployment present in the rural areas, it is essential to realize projects in the scope of: creating new jobs, life-long learning and vocational education of persons working in agriculture and outside of it, trainings raising the professional qualifications of the residents of the rural areas and other initiatives aiming at the development of the human capital.

*Stimulation  
of local  
communities*

The scale and pace of the transformation in the rural areas will, to a large extent, depend on the level of self-organization of the local communities and their activity. Activities leading to the development of the non-governmental organizations and voluntary work will be enhanced. Programmes supporting the training, information and promotional activities have an essential significance for the development of the rural areas. These activities are undertaken in order to: prepare and implement the local development strategies, stimulate of the local communities, promote of the rural areas, etc.

*Development of  
opportunities for  
children and  
teenagers from  
rural areas*

A special attention should be given to developing opportunities of rural children and teenagers from the neglected areas in the social and economic respect, especially from farms previously owned by the state. The main motif in the undertaken activities should be prevention of an intergenerational transmission of negative social tendencies, i.e. taking over by the teenagers the values and attitudes characteristic of the “learned helplessness” syndrome. Raising the quality of education in rural schools is closely related to employing the pedagogical staff with high professional qualifications. Therefore, it is advisable to introduce a system of incentives for teachers who undertake work in the rural areas. It is essential to maintain the interest and proper support for secondary agricultural education.



Moreover, an important element in eliminating the educational disparity among the city and the rural areas is the development of the local educational infrastructure (construction and modernization of the didactic premises, including classrooms for practical vocational education, learning foreign languages, computer classrooms), as well as the development of tele-education.

Some indexes characterizing the realization of the priority No. 5 of the Strategy are presented in the table below.

	Indexes	UE-25	Poland		
		Value of the indicator in the base year (2005)	Projected value of the indicator		
			2010	2015	
<b>Priority V Development of rural areas</b>	Employment rate in the rural areas (%) <sup>1)</sup>	.	46.1	51	54
	Average surface area of a private agricultural farm (ha of arable lands) <sup>2)</sup>	16 (2003) <sup>3)</sup>	7.6	8.5	10.0
	Percentage of children living in the rural areas included in pre-school education	.	17.5	25	35
	Percentage of rural households having access to the Internet (%)	.	19	40	70
	Number of persons working in agriculture per 100 ha of arable lands <sup>2) 4)</sup>	9 (2003) <sup>3)</sup>	15	12	10

Source: Poland – unless otherwise stated – data of the Central Statistical Office, Ministry of Finance and Eurostat; UE-25 – Eurostat.

<sup>1)</sup> According to BAEL.

<sup>2)</sup> Regards farms above 1 ha.

<sup>3)</sup> UE-25 – own estimations on the basis of the Eurostat data.

<sup>4)</sup> According to the full-time equivalent in private farming.





# PRIORITY

# 6

## Regional development and raising of the territorial cohesion

Poland is a regionally differentiated country; essential differences in the level of development and its conditions exist both between regions, and inside regions.

The state's regional policy in the years 2007-2015 will focus on creating conditions for a growth of competitiveness of all regions in such a way as to promote the economic, social and territorial cohesion and aim at levelling the development opportunities of voivodships, with keeping the sustainable development principle.

This means aspirations to improve the economic competitiveness of individual regions and of the whole country, as well as alignment of the development opportunities of those areas that without the state's support are condemned to marginalization or long-term development difficulties. According to the subsidiarity principle and the principle of supporting the endogenous development, the state's regional policy will be directed at flexible differentiation of goals and the usage of the internal potential of individual areas.

*Leveling the  
development  
opportunities of  
the Polish  
regions*

In order to achieve Poland's development goals the most important is:

- a) to provide a spatial order of the country,
- b) decentralization of the development processes and the decentralization of the public finances following it, which causes an increase of the role of local authorities in investing in the technical and social infrastructure and in the economic development of the regions and usage of the local potential,
- c) development of metropolitan areas,
- d) development of the rural areas which often constitute a region of economic, social, educational and cultural marginalization of the country.

The key task in the regional development is a fuller usage of the endogenous potential of the largest city centres and strengthening of relations between metropolises and urbanized areas and the rural areas and small towns surrounding them. The fundamental result should be diffusion of the economic growth to the adjacent areas and using the relative superiority of a large city - creation of new jobs, opportunities for an economic cooperation, and participation in the

*Using the  
potential of  
urban areas*

social and cultural infrastructure. An essential condition of this process is building communication and telecommunications connections between the metropolis or an urbanized area and their surrounding, as well as economic, service, cultural connections, etc. These bonds should be supported both by the governmental administration, and the self-governmental administration.



Investment activities should not lead to an uncontrolled urban sprawl. A condition for that is to accelerate and improve the process of spatial planning.

An essential significance for the regional development will have finalizing works on the new Concept of the Spatial Development of the Country defining trends of desirable long-term changes in developing the Polish space, which should provide for a spatial order of the country.

One of the conditions of the growth of the investment attractiveness, and consequently of that, of voivodships' competitiveness, is the development of their cooperation, both in the international dimension, (including cross-border one), and trans-regional dimension. The state's regional policy will support undertaking such trans-voivodship initiatives, as Karpaty, Green Lungs of Poland, basins of the Oder and Vistula, and other.

All activities of the state's regional policy will be undertaken in connection with the sectoral policies of the government, among others, directed at raising the competitiveness of the economy, construction and modernization of the infrastructure and the development of the human capital. The main directions of the regional development are defined in the voivodships' development strategies prepared by the local authorities and realized via the regional operational programmes, ones prepared in a cooperation with the minister competent for the regional development matters.

#### *Increasing the role of selfgovernments*

Increase of the role of local self-governments in investing in the technical and social infrastructure and in the economic development of the regions and the usage of the human capital thanks to decentralization of the development processes and the decentralization of the public finance following is projected.

The basic directions of activities of the state will be:

#### **a) Raising the competitiveness of the Polish regions**

#### *Growth of competitiveness of regions*

The competitive and innovative potential of regions defines a region's ability for a sustainable development and growth of its residents' prosperity under market economy conditions. Regional development depends on existence of growth

factors in a given area, i.e. investments, in particular innovative investments, export opportunities, and also human capital and entrepreneurship. The competitive and innovative potential of regions is also connected with the region's ability to attract factors of production from outside the region – both employees, and capital e.g. in a form of foreign investments.

In order to raise the competitiveness of the Polish regions it is essential to:

- support the expansion of the infrastructure that is decisive for the competitiveness of both the Polish economy and individual regions. Improvement of the transport infrastructure between the main city centres and other cities and towns, between towns and villages and increasing the availability of mass transport systems, as well as – in seaside regions – supporting the port infrastructure contributing to the development of sectors connected with the maritime economy have a substantial significance. Reconstruction and modernization of the communal and social infrastructure will also be supported;
- use the natural environment resources as an essential development potential;
- support the protection and improvement of the material condition of the cultural heritage and the regions' cultural investments development;
- support the development of scientific, research and educational infrastructure the research and development activity of scientific institutions and enterprises, and also the development of institutions surrounding the entrepreneurs dealing with transferring modern technologies to the economy. Existence of an efficient innovative system in a given area, i.e. a system of entities generating knowledge and innovations, defines possibilities of building a competitive economy;
- support the development of training institutions and others acting to improve the quality of the human capital, support lifelong learning in the regions, and promote consulting services for entrepreneurs. The regional policy will support connecting higher education with the regional economy and the job market, so that the educational and research programmes are directly connected with expectations of regional enterprises and conditions on regional job markets;
- support promotion of access to electronic services. Investment activities should include both IT services and bases of the local administration, as well as development of commercial networks and electronic services in voivodships. Creation of a database of innovative resources in regions and creation of opportunities for a general access to such bases will constitute a separate activity that will require support from the state;
- support the development of regional enterprise, and also stimulate the development of "industrial clusters". One of the most important activities should also be initiatives in order to develop tourism, which will contribute to increasing the number of jobs and influence an increase of the regions' competitiveness;
- extend the scope of influence of metropolitan areas and other cities by developing functional connections and supplementing connections of the mass transport infrastructure and communication with other smaller centres.

## b) Levelling the development opportunities of problem areas

*Areas which  
require state's  
support*

Problem areas which require special stimulating actions undertaken by the state, regions and local communities are:

- rural areas, in particular farms owned previously by the state, areas with a low-commodity, fragmented agriculture, located far from city centres, areas where the non-agricultural business activity is poorly developed,
- industry concentration areas, areas previously occupied by industry or the army, which require reorganization of the business activity, job market, active actions in order to improve the natural environment condition (among others its reclamation and re-usage),
- areas characterized by unfavourable location conditions which limit the possibility of undertaking a diversified and competitive business activity, e.g. areas dependent on seasonal tourism, border areas, underpopulated areas and areas located far from city centres,
- areas which require special activities undertaken in order to improve the condition of the natural environment and investments to prevent disasters, e.g. Żuławy, areas threatened with flooding, after-mine areas.



*Main fields of  
support for less  
developed areas*

In the period covered by the Strategy the state will support the less economically developed areas first of all by:

- supporting the development of broadly understood infrastructure (basic infrastructure, infrastructure essential for the development and reorganization of agricultural areas, health care infrastructure, tourist infrastructure or regional culture resources);
- supporting modernization processes and small enterprise, including services;
- supporting activities which make use of specific conditions of the regions' development, e.g. tourist, landscape, climatic, water conditions, etc.;

- supporting the development of a settlement and urban network, enhancing the reconstruction process of the economic potential of towns and small towns, based on endogenous values of these centres;
- supporting the development of the housing industry; this will create favourable conditions for the development of towns and cities and improvement of the situation on the job market by employing unemployed persons and persons with relatively low qualifications for construction works;
- supporting self-governments and non-governmental organizations in activities encouraging local societies and local development institutions to undertake initiatives for the social and economic development.

Supporting less developed voivodships of the Eastern Poland (lubelskie, podkarpackie, podlaskie, warmińsko-mazurskie and świętokrzyskie voivodships) is a separate task of the NDS. These regions are characterized by the lowest GDP per capita in the EU, a low level of enterprise and a low level of own incomes of the regional self-governments. Providing a development impetus for the Eastern Poland and raising its economic development level and social life participation ratios (education, work, health) constitute a substantial aim of the regional policy of the state. Capitals of the eastern voivodships require a special support, because their development level is relatively low in comparison with other capitals with a similar status. Raising the level of their development is a key to reduce the disproportion of the Eastern Poland voivodships in relation to central and western regions of the country. This requires creation of conditions to improve the population's standard of living (development of infrastructure, education, access to the basic services, including in particular health care), as well as promotion of mechanisms supporting the usage of own development potential.

*Support for  
Eastern Poland  
voivodships*

#### DIRECTIONS OF THE STATE'S REGIONAL POLICY TOWARDS VOIVODSHIPS

The state's regional policy towards voivodships will aim at a better identification of regional development opportunities and barriers and initiating a greater regional specialization. The variety of goals of the regional policy enriches the social and economic structure of the country and raises its international position. Specialization of individual regions leads to forming various social and economic profiles, characterized by a high level of competitiveness.

In relation to all voivodships, the regional policy of the state will support activities connected with improvement of the human capital quality. Improvement of education and access to knowledge will be important in this context. Efforts in the scope of investments in R&D and promotion of innovations and improvement of relations between the science and economy will be enhanced. The economic development of all regions requires enhancement of institutions supporting entrepreneurship and institutions of the business environment. In the scope of transport connections road and railway investments will be supported, as well as construction and extension of regional airports. Emphasis will be placed also on activities aimed at improving the condition and protection of environment, material cultural heritage of the regions, cultural infrastructure development and the development of tourism.

*Directions of  
support for all  
voivodships*



*Directions of  
support for  
individual  
voivodships*

In relation to individual voivodships, the regional policy of the state – apart from supporting the above mentioned activities – will be directed at the following fields or undertakings:

Dolnośląskie voivodship will be supported in activities aiming at increasing the international transport accessibility of the region, as well as transport connections of Wrocław with Warsaw, Poznań and Szczecin. Cross-border cooperation will also be supported.

Enhancing the metropolitan functions of Wrocław (together with its metropolitan area) will be an important direction of activities.

A special role in the state's intervention was assigned to improvement of the natural environment, usage of the natural advantages of the region, including health-resorts, flood protection and adaptation of the Oder River for sailing. International promotion of the region as an attractive place both for tourists and for foreign investments will also be important.

Kujawsko-pomorskie voivodship will be supported in activities aiming at the development of the A1 transport system and improvement of transport connections with Warsaw, Szczecin, Poznań and Olsztyn.

Activities in order to integrate the duopoly of Bydgoszcz and Toruń are expected by the development of a fast railway and enhancing the metropolitan functions of these cities. It will be essential to use the duopoly for the development of the rural areas surrounding it (including in particular farms previously owned by the state) by increasing the access of the rural population to the job market, education (especially at the academic level), business environment services, cultural services and a specialized health care.

Activities aiming at preventing disasters, directed at the threatened area of the Vistula valley below the stage of fall in Włocławek will be important from the point of view of the region's development.

**Lubelskie voivodship** will be supported in activities aiming at improving its transport infrastructure, in particular international transport corridors (S12, S17, and S19) and a better connection with the main centres of the country. Cross-border cooperation will be promoted – also as a result of supporting modernization processes in Ukraine. Construction, expansion and modernization of border crossings will receive support.

Metropolitan functions of Lublin will be enhanced, as well as activities directed at the development of centres with over-regional status. Research, development and higher education potential of the region will be enhanced.

Activities aiming at reorganization of agriculture in order to raise its effectiveness and competitiveness and reallocate persons employed in agriculture to other sectors will be essential for the development of the voivodship. Ecologic and specialist agriculture will be supported.

Emphasis will be placed on increasing the share of the culture and tourist sector in the economy. Health-resorts and national monuments with a unique architecture will be promoted.

**Lubuskie voivodship** will be supported in activities aiming at integration of its two largest cities: Gorzów Wielkopolski and Zielona Góra (among others by improving their transport connections).

The scientific, research and academic potential of the region will be enhanced, also in its cross-border dimension – Viadrina University.

An essential element for the development of the region is to enhance the network of institutions supporting enterprise, also in rural areas.

A substantive element of the regional policy of the state will be improvement of the navigating conditions on the Lower Oder. The voivodship's potential will also be used by cross-border cooperation and the development of tourism.

Activities aimed at maintaining the high quality of natural resources and using them as the development potential of the region will also be supported.

**Łódzkie voivodship** will be supported in activities aiming at improvement of its transport accessibility (road, railway, and also accessibility by air – also with the Poland's central airport), and in particular at: improvement of connections with Warsaw and other metropolises and the development of the Central Interchange (intersection of the A1 and A2 motorways and also the S8, S14 and S74 express roads).

The regional policy will support activities aiming at enhancement of metropolitan functions of Łódź. Revitalization of the material post-industrial and historical substance of this city and other town and cities that have historical architectural and urban systems will be supported. This will increase the tourist interest in Łódź and the region, also by foreign investors.

Moreover the economy will require support, among others on the basis of the development of the regional academic, scientific and research potential.

An essential element for the development of the region is to enhance the network of institutions supporting enterprise, also in rural areas.

**Małopolskie voivodship** will be supported in activities aiming at increasing the international transport accessibility of the region and improvement of its spatial cohesion. Enhancement of the west-east transport axis (the A4 motorway together with other roads, railway connections) and connections Cracow-Zakopane will be particularly important.

Maintaining the development of metropolitan functions of Cracow together with its metropolitan area will have a substantial significance, with a special attention paid to its economic, scientific and academic potential.

The regional policy will also support aspirations to use the region's potential in a form of rich natural resources, to retain the landscape and improve the condition of the natural environment in the most important parts of the regions in terms of nature, culture and tourism. The region's efforts in the sphere of its international promotion will also be enhanced.

**Mazowieckie voivodship**, on account of the greatest in the country diversity inside the voivodship, will be supported in activities aiming at achieving a better spatial and functional cohesion, consisting mainly in improving the inside-voivodship transport connections. Connections of Warsaw with other city centres with a substantial sub regional significance, in particular with ex-capitals of voivodships, will be enhanced. Activities resulting in economic enterprises and initiatives connected with the development of entrepreneurship will be located beyond the metropolitan area, and in particular outside the capital city of Warsaw, will create favourable conditions for the improvement of the region's cohesion. The development of the air transport in the region and construction of airports, including the central international airport, whose creation is determined by the constantly growing passenger traffic, will be supported. Equally important will be supporting the development of transport connections in the capital city's metropolitan area (public transport, central traffic control system). Improvement of access to the Warsaw's job market, educational, cultural and health care services for the Mazowsze region surrounding Warsaw will be substantial.

The regional policy will enhance the metropolitan functions of Warsaw, in particular those that have a substantial significance for the international role of this metropolis and its relation in the world metropolitan network.

Moreover the state's policy will aim at improving the condition of the voivodship's natural environment in the valuable areas in terms of nature with an over-regional significance.

**Opolskie voivodship** will be supported in activities aiming at improving the transport connections of the voivodship in the north-south (S11) and west-east system. Modernization of the main voivodship roads and railway lines with a regional significance, including routes in mountainous and foothills regions, will be substantial.

The cross-border cooperation with the Czech Republic will be supported as well.

Activities enhancing the Opole urban area and developing its metropolitan functions will be supported.

The state's regional policy will aim among others at using the tourist potential of the voivodship. Ventures undertaken in the region connected with the environment protection infrastructure will be supported. Construction of the flood protection system in the Upper Oder will be aided. Activities aiming at revitalization of degraded areas will also be supported.

**Podkarpackie voivodship** will be supported in activities aiming at modernization and expansion of the transport infrastructure, in order to improve the external accessibility and the internal cohesion of the voivodship (A4, S19, modernization of railway lines).

The regional policy will also maintain the cross-border cooperation. Expansion of the existing border crossings with Ukraine and construction of new ones will be supported, as well as construction of logistic centres on the basis of the existing transport systems.

The specificity of the Podkarpace region requires enhancing small towns that will constitute local development centres, first of all in the scope of various kinds of services. Sustainable development of the rural areas in the region will also be stimulated.

Activities aimed at developing the metropolitan functions of Rzeszów will also be supported.

One of the priorities of the regional policy will be to retain the great natural values of the region and using them as a development potential, including supporting health-resorts. Construction of a flood protection system (development of a small and large retention in the voivodship and regulation of rivers and streams) will be a substantial issue.

**Podlaskie voivodship** will be supported in activities aiming at improving its transport availability, in particular in the direction towards Lithuania which is important for the international connections (Via Baltica, Rail Baltica, taking into consideration connections Warsaw-Białystok and the national road S19).

The geographical location is a substantial potential of the voivodship. The state's policy will support expansion and modernization of border crossings, which will enable to develop a cultural, scientific and economic cooperation with Belarus.

The regional policy will also support the development of the metropolitan functions of Białystok and enhancement of its connections with smaller towns of the podlaski region. Initiatives aiming at the development of rural areas will be supported.

Enterprise and services will be aided, including tourism based on rich environment resources of the voivodship (Green Lungs of Poland).

**Pomorskie voivodship** will be supported in activities aiming at improving the availability of the region thanks to improvement of the national and European transport network, both in the north-south and the east-west system.

The functions of the region will be supported as the Baltic logistic interchange connecting seaside motorways with the infrastructure of the Gdańsk-Gdynia port complex and offering attractive conditions for the development of the business activity.

The state's regional policy will support the development of the metropolitan functions of Gdańsk-Sopot-Gdynia ("Trójmiasto") and other development centres with emphasis on raising the European (Baltic) significance of the metropolitan area of Trójmiasto.

A lasting economic stimulation of Żuławy will be substantial, among others by realization of infrastructural investments essential for the proper functioning of the water economy in the Delta and the Lower Vistula valley.

The region's efforts for a sustainable and effective usage of its cultural and natural values as tourist resources with an international significance will be supported.

**Śląskie voivodship** will be supported in activities aiming at improving its technical infrastructure, including transport infrastructure, which is substantial especially in relation to two main transport routes which cut through the voivodship longitudinally (the A1 corridor) and latitudinally (the A4 corridor).

The regional policy will support the region's efforts aimed at reducing the barriers in the development of modern sectors of economy, in particular in the central part of the region, together with revitalization of degraded post-industrial areas. Transformation of these areas for new functions, also thanks to foreign investments, will be substantial.

The development of the metropolitan functions of the Silesia conurbation will be supported, and especially the development of high-level services, including scientific and research services.

An essential element of the state's regional policy in relation to the Silesia region will be activities aimed at improvement of the condition of the natural environment and reclamation of after-mine areas.

**Świętokrzyskie voivodship** will be supported in activities aiming at improvement of its transport availability, which should create favourable conditions for the development of enterprise and the inflow of foreign capital.

An essential task of the regional policy is the development of the metropolitan functions of Kielce. Activities aiming at the development of higher education and the development of services creating new jobs will be particularly supported.

The regional policy will aim at maintaining great natural and landscape values of the region, and using those resources as a development potential.

Among others, efforts to economically use in full the natural values and the tourist potential focused in the Świętokrzyskie Mountains will be supported – both by a country-wide promotion, and an international promotion.

**Warmińsko-mazurskie voivodship** will be supported in activities aiming at increasing the external transport availability (including in particular with Kaliningrad Oblast) and the internal transport availability (among others by including to the main network of transport infrastructure in Poland, in particular S16, S7). Expansion of border crossings in connection with modernization of roads will find support.

The state's regional policy will enhance the development of international cooperation of the voivodship in the Baltic Sea region, with a particular attention to cultural, scientific and research contacts.

The development of the metropolitan functions of Olsztyn will be supported, including mainly its academic, scientific and research potential.

The state's regional policy will aim at maintaining great natural and landscape values of the region (Green Lungs of Poland) among others by conservation of the natural functioning areas. An important aim will be to maintain the cultural heritage of Żuławy, and especially to create an efficient hydro-technical system, which will regulate the water economy. The international tourist promotion of the region (including the Great Mazury Lakes and the Elbląg Canal) will be enhanced.

**Wielkopolskie voivodship** will be supported in activities aiming at the development of the transport infrastructure which will move the periphery areas closer to the main growth centres. A sustainable spatial development of

the Wielkopolska region requires supporting the sub-regional centres, which will enhance the diffusion of the development factors to the whole voivodship.

The international role of the emerging Poznań metropolis will be enhanced, among others as a place of international exhibitions and events. Improvement of the transport system of the region will be supported and expansion of the transport infrastructure, including the railway infrastructure, will be continued. The development of the academic potential of Poznań will also be an essential area of activities.

On account of a significant share of agriculture in the region's economy, a special support will be given to the rural areas.

The state's regional policy will support activities aiming at improvement of the condition of the environment, taking into consideration the NATURA 2000 network, improvement of the water balance, flood protection and water supply. It will aid efforts aiming at promoting the region's culture on an international scale.

Zachodniopomorskie voivodship will be supported in activities aiming at improvement of the longitudinal transport connection of Szczecin, and also with Poznań and Warsaw (both road and railway systems).

The regional policy will aim at increasing the international competitiveness of the port complex and port-related functions, mainly service, shipping and financial functions.

Various forms of a cross-border cooperation with Germany, as well as in the Baltic Sea region, will be continued and developed.

An important element of the regional policy will be enhancing the metropolitan function of Szczecin, as well as enhancing the academic potential of Koszalin.

Supporting the rural areas and activities aiming at improving the condition of the environment, maintaining great natural values, the health-resort base and the international tourist promotion of the region will be substantial.

An important element of the state's regional policy will be flood protection, regulation of water economy in the Oder basin and restoration of transport functions in the lower reaches of this river.

Selected indicators characterizing the realization of the priority No. 6 of the Strategy are presented in the table below.

	Indexes	UE-25		Poland	
		Value of the indicator in the base year (2005)		Projected value of the indicator	
				2010	2015
<b>Priority VI Regional development and raising the territorial cohesion</b>	Average diversification of the GDP per capita level by voivodships (%) <sup>1)</sup>	x	25 (2003)	24	23
	Average unemployment rate in 3 sub-regions (NTS 3) with the highest unemployment rates	x	37.0	30	20
	Share of Eastern Poland <sup>2)</sup> voivodships in GDP	x	15.9 (2003)	18	20
	Urbanization level <sup>3)</sup>	.	61.4	62	65

Source: Poland – unless otherwise stated – data of the Central Statistical Office, Ministry of Finance and Eurostat; UE-25 – Eurostat.

<sup>1)</sup> Calculated acc. to the coefficient of variation (weighed by the size of population standard deviation of GDP per capita/average GDP in the country).

<sup>2)</sup> Lubelskie, podkarpackie, podlaskie, świętokrzyskie and warmińsko-mazurskie voivodships.

<sup>3)</sup> Percentage of population living in towns and cities.





Infrastructure Condition  
Improvement



Rural Areas Development



Competition Growth



Employment Growth



# CONDITIONS OF REALIZING THE STRATEGY'S GOALS

V

## 1. Directions of changes

The vision of Poland in the year 2015 is a brave and courageous one, a vision up to the historical standards, future social expectations and possibilities.

The chance of achieving it arises from the possibility of making great investments thanks to support of the cohesion policy, which will also make it possible to use own potential better and as a result to make a civilization leap. The received financial contribution should accelerate overcoming of the civilization backwardness in many fields, such as infrastructure, innovations and R&D. In order to use the available funds effectively, we should improve the administration's capability; introduce proper regulations and activities that will ensure an efficient absorption of those funds.

*Improvement  
of the  
institutional  
and regulatory  
order and an  
effective usage  
of funds is  
essential*

Poland needs a cohesive and holistic approach to the regulatory changes. Such approach will enable building a competitive economy and will be decisive for the effectiveness of the Polish companies' competition on world markets and for maintaining the social harmony with respect to the environment. Poland's competitiveness based on the institutional and regulatory order is stronger, more effective and more durable than the one based exclusively on external financial support. Therefore the vision of Poland 2015 requires meeting two parallel challenges: first of all, and more urgent – improvement of the institutional and regulatory order, and second of all – an efficient and effective usage of the funds, especially community funds. These two challenges will mostly be decisive for Poland's position in the year 2015.

The basic condition of realizing the goals of the National Development Strategy for the years 2007-2015 is improvement of the institutional and regulatory system.

The legal changes mentioned will create conditions for a faster development, a result of which, among others, the economic distance in relation to other EU states will be significantly reduced, there will be an increase of capabilities of public institutions to fulfil their tasks, and also a growth of satisfaction of residents of Poland and companies operating in Poland with the level of services rendered by the public sector.

That last dimension of reforms should be based on orienting services on a customer, decentralization, separating implementation (provision) of actions/ services from political programming, implementing quality improvement instruments (e.g. common evaluation principles), cooperation with the civic society. The total activities must be connected with re-defining the role of the state. The aging society, permanent and fast technological progress and new tasks that the public sector faces cause the role of the state to change. Enhancing the role of the state as a regulator of economic processes and a guarantor of the constitutional rights will take place with a simultaneous limitation of its significance in the direct forming of the social and economic life. Therefore the state becomes one of the main social and institutional partners together with the civic society and the market.

A regulating, institutional and decisive role of the state is to a large extent defined and conditioned by Poland's membership in the EU, as well as in other organizations.

## 2. The main areas of institutional and regulatory conditions

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Achieving a fast, sustainable social and economic development of Poland is not possible without improving the institutional system and the regulatory mechanisms of the country.



Regulatory changes concern most of the areas of the state's functioning and the social and economic life. Undertaking reformatory system activities, in particular in the fields of the public administration, universal safety, the method of establishing law and the quality of law (including its simplification), fighting irregularities in the public life is expected. With the development of the market economy, democracy structures and civic life the efficiency of courts of all instances and the effectiveness of enforcing the law must grow.

In the social and economic sphere the following actions will be necessary: reform of public finances, further simplifications regarding establishing and conducting a business activity, sectoral reforms (among others, the electronic telecommunication market, electro-energy, transport), organization of regulations in the scope of the labour law and social security, the health care system and the pension system (including activities within the National Reform Programme).

In order to provide for a high absorption of community funds the national procedures regulating their usage will be simplified.

In order for the state to fulfil its functions properly there is a need for a decision-making and executive efficiency. Efficient governing is hindered especially by such factors, as a low level of professionalism in the public administration, excessive red-tape and corruption.

The above mentioned plans will be realized mainly by:

- **Forming an efficient, economical and effective system of public administration**, using information and telecommunication technologies and enabling a citizen for a full access to information (e-administration). An effective state is an essential factor of the country's competitiveness.

Simplification of administrative structures is expected, taking into consideration elimination of the overlapping competences and tasks. As a result of review of the administrative structures and the staff potential, undertakings improving the functioning of the public administration will be implemented on all levels of the administrative division of the state. They will aim at increasing the transparency and effectiveness of functioning of the public services.

*An efficient and modern public administration is needed*

Professional aspect of the central and territorial civil service staff and enhancing the administrative capabilities to fulfil tasks will require creation of modern standards of exercising power, according to the international principles of good management. They call for functioning of the public administration based on the transparency, responsibility, effectiveness, partnership and participation in the social dialogue.

It is assumed that in the sphere of public services the state, by proper regulations and the growth of competition in the scope of supply of public goods and services, will provide for their general availability and high quality. The task of the public administration is then to change the state's role from the position of a guarantor of rendering the public services to the position of a regulator (defining the size and conditions of providing the public services and the essential minimal standards), and also the position of a supervisor of their provision.

*Improvement of the quality and availability to public services*

Standards of the civil service will be implemented in the governmental administration and the development of such standards in the self-governmental administration will be supported. Introducing the rules of measuring the tasks and results in the public sector should lead to managing the staff by the system of incentives. Without the system of incentives in managing the staff, in particular the positive incentives – including the ones that ensure a proper level of remunerations – it is not possible in practice to improve the public services.

- **Establishment and abiding by the institutional conditions of developing the market.** In particular creation of an institutional environment conducive to development is presumed, as well as ensuring conditions for an equal and honest competition, elimination of entrepreneurship development barriers, and fight against corruption and business fraud.

*Good law for the market's functioning*

For an effective functioning of the market economy regulations protecting the property right and ensuring safety of private contracts have a special significance.

*Implementation  
of the Regulatory  
Reform  
Programme*

A key element of improving the process of establishing the law is implementing the Regulatory Reform Programme, which covers simplification of the national legal acts, realization of the European Commission's simplification programme at the national level, improvement of the directives implementation system, elaboration of the prevention methods before creating new, additional regulatory burdens for enterprises, implementation of the system of measuring and reducing the administrative costs for enterprises, optimalization of the regulatory impact assessment, enhancing the regulatory potential thanks to cooperation with the OECD (within the SIGMA programme).

*Conditions for  
efficient  
functioning of  
public finances*

- **Consolidation of the public finances**, in particular creating conditions for an effective functioning of the public finances sector, rationalization of the public expenditures and providing stable revenue sources for the state budget. Deficit of the finance sector in Poland has to a large extent a structural character. Social transfers constituting a significant part of budgetary expenditures limit the pool of funds for pro-development investments, such as, e.g. research and development, innovations, infrastructure.

Therefore it is necessary to continue the reforms aiming at reducing the public finances deficit and the public debt, increasing the control over public funds (including reducing of the volume of public funds flow outside of the parliament's control), as well as a further decentralization of the public finances. Among others, implementation of a long-term budgetary planning will be aimed at consolidating the public finances. Introducing a task-budgeting and the financial plans of non-budgetary institutions is also assumed. This will consist in, among others, selection of tasks for realization, defining the quantitative and qualitative indicators of executing them and measuring the effectiveness. An essential part will be played by including community funds in the state's budget. These activities will create stable conditions of the country's functioning.

*An effective  
system of  
managing the EU  
funds*

- **Efficient and effective usage of funds, especially from the community funds.** Activities in this field aim at creating and implementing the system of managing the community funds, guaranteeing the proper and timely realization of programmes financed from the EU funds (as well as the Norwegian Financial Mechanism, the European Economic Area Financial Mechanism and others) and acceleration and an efficient absorption of funds available for use. They cover works on the operation programmes and the proper direction of the state's intervention, as well as on simplifying the usage of the funds. They will be continued both on the Council of Ministers and individual ministers level, and on the level of voivodship authorities and others. Informative and advisory undertakings will be developed that will support the selection of projects and their preparation. Amendments to acts will be continued (e.g. the public procurement law, the public finances law) in order to limit the barriers in receiving and managing the funds. Simplifications of documents required to receive the support for projects are and will be implemented, and the settlement procedures are improved. Enhancing the abilities and administrative potential of the central and regional public administration units engaged in realizing the aid programmes will be supported. During realizing the National Strategic Reference Framework and the operational programmes systematic evaluations of the absorption level of the funds will be conducted and decisions will be



made on the further improvement in this scope. At the same time monitoring instruments will be used as well as other forms of preventing possible irregularities in using the EU funds. All those initiatives should contribute to creating good legal and organizational conditions for using the funds.

### 3. Poland's participation in the community decision-making process

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With its accession to the EU, Poland was covered with the community legal order, assuming an obligation to respect the norms of the community law that became part of the national legal order. An important task of the state is to aim at providing the compliance of the national law with the community law. Poland's advancement in implementing the community directives (close to 100%) constitutes one of the highest ratios in this field in the scale of the whole EU-25. Poland has implemented into its legal order 2642 regulations of the total amount of 2648 regulations adopted by the Community (the state at the beginning of 2006).

One of the integration requirements of Poland will be to fulfil membership obligations and rights in the EU, including the ones regarding a timely and effective implementation of the community regulations, programme decisions and institutional solutions (e.g. provided for in the transition periods within the accession obligations).

Implementation of the rights and obligations resulting from the membership in the EU means raising some prerogatives of the state authorities to the community level and the necessity to realize community agreement and membership obligations. This relates, among others, to the common trade policy, common organization of agricultural markets, protection of fish resources, the basic principles of the transport policy, possible prohibitions connected with the freedoms of the internal market, general principles of the competition, the monetary policy in the economic and monetary union, the

*Poland included  
in the community  
legal order*

*Implementation of  
EU regulations  
and community  
policies*

visa and immigration policy. On the other hand Poland, as the full-time member of the Communities, takes part in the community decision-making processes.

*Active  
participation  
in the EU  
co-deciding*

Regardless of activities connected with implementing the principles of the community policies and the rules of a single market, a growing attention and implementation will have to be paid to the EU strategies and decisions defining the macroeconomic policy and a long-term, sustainable development. Taking into consideration all community programme documents will be supervised not only by the monitoring and reporting system, but also by a constant participation in the institutions and procedures coordinating the economic policy on the community level.



According to the accession conditions, Poland has a guaranteed possibility of a full and legitimate co-deciding in all activities undertaken by the EU and in cases of their future institutional shape. It will still actively use this right, taking part in initiating and making decisions, including cases regarding safety and international issues with a great significance for the Polish national interests, which outside the EU would be much limited.

*Necessity of  
an internal  
coordination of  
the European  
policy*

Under conditions of being a member of the EU and essential task of the government administration is to implement an effective, internal procedure for Poland's participation in coordinating the European policy, especially in social and economic matters. Agreeing on the government's position in issues decided on the Community institutions level will require not only an efficient cooperation between the ministries and central offices, but also consultations with the regional authorities and the social partners and the Parliament's decision.

The Poland's rank in co-deciding on the community policies will be decided by the ability to prepare common positions on the national level and an ability to build a coalition with other member states.

#### 4. Main threats in realizing the strategy

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The present conditions of realizing the NDS (high economic growth, community funds ensured, undertaken legal regulations) create a good basis and perspectives of achieving its goals. Possible difficulties and delays in realizing the NDS would take place in case of occurrence of the following threats:

- delays in undertaking and implementing the regulatory and institutional changes (including the ones resulting from the accession requirements and obligations in the EU), influencing lowering the economic growth rate and lack of progress in limiting the unemployment rate, which as a result would mean lowering the pace of Poland's reducing the distance to other EU states, including also states from our region;
- lowering the pace of investments by the economic entities and weakening of the entrepreneurship in case of a decline of the entrepreneur's and consumer's confidence and deteriorating the perception of the development perspectives, which would also influence lowering the interest of foreign investors;
- unexpected economic (and possible military) disturbances in the world and or in the regions economically important, transferred to the situation of the UE and Poland that would significantly lower the economic situation and deteriorate the conditions of the Polish export, or such that would mean threat to the energetic safety of the country;
- difficulties in proper usage of the community funds by the enterprises and local self-governments, both on account of problems in providing co-financing, and insufficient skills in receiving the funds and realizing the projects, including on account of lack of preparation of lands for investments.



Realization of the Country Development Strategy will be financed both from the national and foreign funds. The national funds will come from public and private sources.

Among the public national funds the most important source of financing realization of the NDS will be the state budget, budgets of the territorial self-government units and other entities of the public finances sector. Means from the target funds will also be used.

*Financing from  
national sources*

The funds from the state budget will support particularly important investments (of both the technical infrastructure and in the scope of social services) with a regional, national and international importance. The state budget will increase its outlays for education, support reorganization of some sectors or enterprises, in respect of the binding principles in this field, finance the social security and other social benefits, provide for the country's defence, judiciary and, administration, etc. The system changes in this scope, in particular in the structure of expenditures, will reflect activities described in the NDS.

A number of activities developing the infrastructure, as well as social undertakings, will be financed, within their tasks, by local authorities. It is expected that with the decentralization of the administration there will be changes leading to increase in the incomes of local authorities.

A growing role in financing a broadly understood development of the country, by own investments, should be played by private economic entities. Investment initiatives will be supported by the development of loan funds, credit guarantees and warranties and an offer of banks' financial services. Promotion of mechanisms and forms of public - private partnership should have a growing significance.

*Development of  
private  
investments*

Investment capabilities of the country will be augmented by the funds received from the European Union and from other foreign sources.

*Investment rate*

It is estimated that the total of the above sources will enable to increase the investment rate from 18.8 % of GDP in 2005 to 21% in 2010 and 25% in 2015. Such increase of the investment rate will enable reaching a 5.1% average yearly GDP growth in the years 2006–2010 and 5.2% of the average yearly growth in the years 2011–2015.

Public Community funds encompass first of all funds from the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the

*Sourcing from  
the EU budget*

European Agricultural Fund for the Development of the Rural Areas and the European Fishing Fund, but also funds allotted for realization of the Lisbon policies, activities connected with security and the European citizenship. The total amount of the EU budget funds, possible to use for the realization of the National Development Strategy will amount to almost 86 billion EUR, and together with the public and private funds for co-financing – to around 108 billion EUR.



From the total amount of community funds expected in the years 2007-2013, more than 67.3 billion EUR (at current prices) will be used for realization of tasks defined in the National Cohesion Strategy (National Strategic Reference Framework) and the operational programmes resulting from them. It is estimated that for co-financing of these activities around 11.9 billion EUR will be allotted from the public national funds and 6.4 billion EUR from the private funds. Moreover, 13.2 billion EUR (at current prices) is expected from the European Agricultural Fund for the Development of the Rural Areas in order to support the reorganization of agriculture and the development activities in the rural areas, and in order to co-finance it – around 3.9 billion EUR. For reorganization of fishing 0.7 billion EUR (in prices from 2004) is expected from the European Fisheries Fund, and for co-financing it – around 0.1 billion EUR.

The size of the financial means expected to be used in the period 2007-2015, despite the fact that the actual payments are usually lower, is much bigger than the funds of the National Development Plan 2004-2006 (community obligations amount to 12.8 billion EUR).

The total amount of EU obligations from the structural funds and the Cohesion Fund for the years 2007-2013 will amount to almost 4% of the average yearly GDP.

Funds from the structural funds and the Cohesion Fund require co-financing from the national sources (and the derivatives to the public ones) in a proportion – depending on the programme, activity and fund – amounting according to the community regulations to not less than 15%. The average level of co-financing can be higher and will result, among others, from regulations of the state aid and the assumed multiplier effects.

*The necessity to  
provide cofinancing*

Among other community budgetary funds that can constitute a source of financing of the NDS realization we should mention, among others: 7th Framework Programme of the European Community for research, technical development and demonstrations (2007-2013), Framework Programme for improving the competitiveness and innovation 2007-2013, projects realized within the European transport network (TENs), programmes in the field of education, youth, culture, the audio-visual sector, or programmes in the field of freedom, safety and justice. For realization of the tasks within the so called Lisbon policies, and also safety and EU citizenship, around 4.3 billion EUR is expected (in prices from 2004).

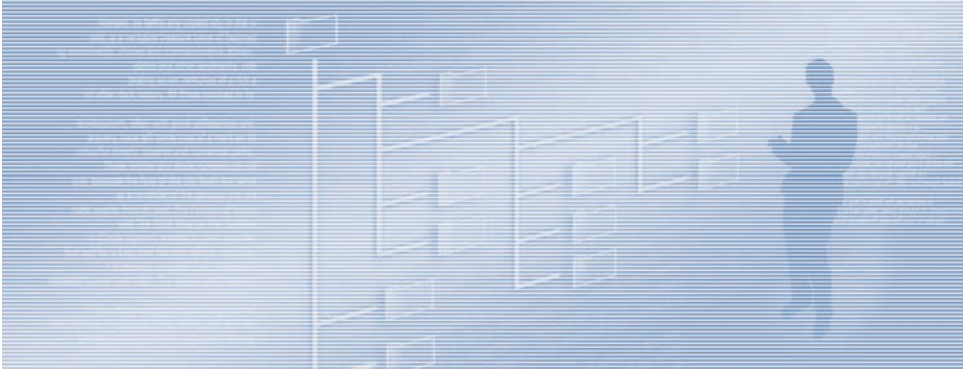
One should also remember that Poland will receive significant funds connected with direct payments for farmers, interventions on the agricultural markets and export subsidies within the European Agricultural Guarantee Fund. For the realization of the aims of the National Development Strategy funds from the European Economic Area Financial Mechanism and the Norwegian Financial Mechanism will also be used. For the years 2004-2009 Poland was awarded within both mechanisms the amount of more than 530 billion EUR.

*Another sources  
of financing*

The condition of a successful usage of the EU funds is a better coordination of actions undertaken by individual entities realizing the aims of the National Development Strategy, a better regulatory environment and an effective system of guarantees and warranties of the EU funds.

For realization of the NDS funds from the European Investment Bank will also be obtained, as well as from international financial institutions and commercial banks. Poland's membership in the EU increases the access to credits and makes it easier to receive them on more convenient conditions than before the accession to the EU.





# SYSTEM OF REALIZING THE STRATEGY

## VII

The goals and priorities of the National Strategy Development will be realized by activities resulting from the fundamental governmental documents (first of all „Solidary State”, Convergence Programme – Amendment 2005, the National Reform Programme for the years 2005-2008 to implement the Lisbon Strategy). An important meaning will have the realization of the National Strategic Reference Framework for the years 2007 – 2013 and respective operational programmes as well as the Operational Programme Development of the Rural Areas for the years 2007-2013, the Operational Programme Sustainable Development of the Fishing Sector and the Seaside Fishing Areas and other documents aimed at the realization of the assumed development aims. This means that institutions implementing the strategy and programmes in individual areas will be responsible for the realization of specific aims and priorities of the Strategy.

A superior role of the National Development Strategy over other strategies and programme documents is defined in the Act on The Principles of Conducting the Development Policy. With the implementation of this act a uniform system of the strategic programming of the country development will be created in Poland. The National Development Strategy is the fundamental document in this system, indicating directions that will be detailed subsequently in strategic documents referring to specific fields and areas of the country. The documents used for the implementation of the Strategy are sectoral strategies, strategies of regions' development and operational programmes as well as the executive plans serving to implement the above-mentioned documents. Realization of the Strategy's goals will take place also on the basis of international agreements and treaties, and also separate programmes and legal and financial instruments of the European Union.

In this context it will be extremely important to ensure a proper coordination of tasks realized within individual national policies and strategies. Minister of Regional Development is responsible for coordination in this field.

In order to effectively conduct the said coordination the Minister of Regional Development will undertake a number of activities, including evaluations of the compliance of the sectoral strategies and other strategic and programming documents with the National Development Strategy. Opinion on this subject will be presented to the Council of Ministers. Analysis of compliance takes place on the basis of the criteria prepared by the Minister of Regional Development.

*The act on the principles of conducting the development policy*

*Evaluation of the compliance with the strategy*

Activities contributing to coordination of implementing the NDS should also include preparation of operational programmes financed from the foreign sources or directed at a specific area of the country and cooperation with managements of voivodships in creating regional operational programmes. This cooperation will also include analysing the compliance of the regional documents with the Strategy. The Minister of Regional Development will perform his function of a coordinator also by the participation of his representatives in the operational programmes' monitoring committees.

#### *Coordination of implementing the Strategy*

The key role of the Minister of Regional Development in realizing the National Development Strategy's goals results from the fact that he is responsible for realization of the National Strategic Reference Framework, as well as the Norwegian Financial Mechanism, the EEA Finance Mechanism and others. The Minister of Regional Development will cooperate with ministers responsible for sectoral strategies in connection with the evaluation of their compliance with the NDS. Coordination of the Strategy's implementation will also require a close cooperation with the Minister of Agriculture and Rural Development responsible for the Operational Programme „Development of the rural areas” and the Operational Programme „Sustainable development of fishing and seaside fishing areas”, the Minister of Finance, as the coordinator of cooperation with the European Investment Bank and other international financial institutions and self-governments of voivodships responsible for realization of the voivodships development strategy.

#### *Monitoring and reporting*

The Minister of Regional Development will monitor the implementation of the Strategy and every year until 31 July will present to the Council of Ministers and the Sejm and Senat a report on Strategy's implementation in the previous year. It will be also given to the Trilateral Commission for Social and Economic Matters and the Joint Commission of the Government and the Local Self-government. This report will be prepared on the basis of information provided by individual ministers, central offices and managements of voivodships, and also on the basis of analysis of a macroeconomic situation of the country. The report will include analysis of undertaken activities and the recommendations resulting from it for subsequent period. Moreover, the report will include information:

- on the results of implementing the National Strategic Reference Framework prepared by the Minister of Regional Development in cooperation with respective ministers and managements of voivodships,
- on the results of implementing the Operational Programme Development of the Rural Areas and the Operational Programme Sustainable Development of the Fishing Sector and Seaside Fishing Areas prepared by the Minister of Agriculture and Rural Development,
- on the results of realizing the Norwegian Financial Mechanism and the EEA Financial Mechanism prepared by the Minister of Regional Development;
- on the results of implementing the National Reform Programme prepared by the Minister of Economy,
- on the results of implementing other programmes realised by individual ministries for the NDS prepared by respective ministers,

- on the level of using the EU funds within the specific funds, and also the Norwegian Financial Mechanism and the EEA Financial Mechanism prepared by the Minister of Finance in cooperation with the Minister of Regional Development,
- in the course of coordination activities connected with realization of the National Development Strategy prepared by the Minister of Regional Development, with possible proposals of solutions aimed at improving them.

The National Development Strategy will be subject to periodical updating, at least once in four years. In preparing the update in particular the level of realization of its goals will be taken into consideration, and the yearly recommendations included in the reports. The Strategy can be updated upon a motion of the Council of Ministers in another term.



In order to provide a wide social participation in creation of the documents, the Strategy for successive years and each update of the Strategy will be subject to social consultancy, including especially the Common Commission of the Government and the Local Self-government, units of local authorities and social and economic partners – organizations of employers and association organizations associated in the Trilateral Commission for the Social and Economic matters and the voivodship commissions of a social dialogue, economic chambers, non-governmental organizations and scientific entities. Information on consultancies will be announced in a national journal and on the website of the Ministry of Regional Development.

*Social  
consultations*



## BASIC NATIONAL DEVELOPMENT STRATEGY

### IMPLEMENTATION INDICATORS – GENERAL TABLE

Goals and priorities	Indicators	UE-25		Poland	
		Indicator value in base year (2005)		Projected indicator value	
				2010	2015
NDS goals	Average annual GDP growth rate (%)	1.7 (2001-05)	3.0 (2001-05)	5.1 (2006-10)	5.2 (2011-15)
	GDP per capita in PPS (UE25=100)	100	50	58	66
	Average investment rate (%) <sup>1)</sup>	19.7 (2001-05)	18.8 (2001-05)	21 (2006-10)	25 (2011-15)
	Average inflation rate	2.2 <sup>2)</sup>	2.1	2.5	2.5
	Public finance sector deficit as % of GDP <sup>3)</sup>	2.3	2.5	2.5	2.0
	Public debt as % of GDP <sup>3)</sup>	63.2	42.0	51.7	47.0
	Income per capita <sup>4)</sup> (PLN)	x	732	950	1190
	Structure of employed persons (aged over 15) by economy sector <sup>5)</sup> (%)				
	- sector I	4.9	17.4	15.0	11.0
	- sector II	27.5	29.2	27.5	26.0
	- sector III	67.6	53.4	57.5	63.0
	Share of market services in gross value added (%)	.	49.6	51.0	55.0
	Unemployment rate (%)	8.7 <sup>6)</sup>	17.6	12.0	9.0
	Relative at-risk-of-poverty rate after social transfers (% of population)	1 (2003)	17 (2003)	15	13
	Average life expectancy (years):				
Priority I Growth of competitiveness and innovativeness of the economy	- women	81.2 (2003)	79.4	80.6	81.2
	- men	75.1 (2003)	70.8	73.3	74.5
	Infant mortality rate per 1000 life births	4.5 (2004)	6.4	5.5	5.0
	Total expenditure on research and development (R&D) as % GDP	1.9 (2004)	0.56 (2004)	1.5	2.0
	Share of economic entities in expenditure on R&D (%)	54.3 (2003) <sup>7)</sup>	22.6 (2004)	30	40
	Share of high- and mid-tech products in sold production in industry <sup>8)</sup> (%)	.	30.1 (2004)	35	40
	Export of goods per capita – thousands of EUR	6.5 (2004)	1.9	3.5	4.9
	Labour productivity per 1 employed person (UE25=100)	100	62.7	70.0	80.0
	Inflow of foreign direct investments (billions of USD, acc. to NBP)	x	9.6	10.0	10.0
	Number of patents granted to Polish residents (per 1 million population) <sup>9)</sup>	134.5 (2001) <sup>10)</sup>	20 (2004)	40	65
Priority II Improvement of the condition of the technical and social infrastructure	Expenditure on information and telecommunication technologies as % GDP	6.4 (2004)	7.2 (2004)	8.0	8.5
	Number of broadband connections related to the number of population (%)	10.6	1.9	10	25
	Total length of express roads (km)	x	258	901	2890
	Total length of motorways (km)	x	552	1629	1913
	Energy-consumption of the economy (kg of contractual fuel per 1 EUR of GDP in 2000)	.	0.27	0.24	0.20
	Share of electric energy from renewable sources in its total consumption (%)	13.7 (2004)	2.6	7.5	9.0
	Emission of air pollution (kg per capita)				
	– SO <sub>2</sub>	17 (2003)	36 (2003)	22	15
	– NO <sub>x</sub>	24 (2003)	21 (2003)	17	15
	Recycling of packing waste (% of total introduced packaging)	.	28.3 (2004)	min. 38	55-80
	Percentage of residents served by water treatment stations	.	60	75	85
	Deaths on account of cardiovascular diseases (number per 100,000 population)	.	442	400	380
	Foreign tourists (arrivals in millions persons)	.	15.2	18.3	22.0

Goals and priorities	Indicators	UE-25		Poland	
		Indicator value in base year (2005)		Projected indicator value	
				2010	2015
<b>Priority III Growth of employment and raising its quality</b>	Employment rate: (%)				
	- persons aged 15-64	63.8	52.8	57.0	62.0
	- women aged 15-64	56.3	46.8	51.0	53.0
	- persons aged 55-64	42.5	27.2	31.0	37.0
	- disabled persons	.	13.1 (2004)	18	25
	Unemployment rate of persons aged 15-24 (%)	18.5	34.6	26.0	18.0
	Percentage of persons with a secondary education in the population aged 15-64 (without basic vocational education)	.	35.2	38.0	41.0
	Percentage of persons with higher education in the population aged 15-64	.	13.9	15.0	18.0
	Graduates of mathematical, natural science and technical fields of study (% of graduates of higher education schools in total)	24	15 (2004)	20	25
<b>Priority IV Building an integrated social community and its safety</b>	Percentage of learning and training persons aged 25-64	11.0	5.5	7	10
	Percentage of children included in preschool education	85.8 (2004)	38	50	55
	Participation in parliamentary elections (in % of the voters)	69.9	40.6	43	50
	Level of trust to the public administration <sup>11)</sup>	x	38	45	50
	Corruption Perception Index <sup>12)</sup>	.	3.4	5.0	6.0
	Index of detection of criminals (%)	.	56.2 (2004)	60	65
	Government effectiveness index <sup>13)</sup>	.	0.58	0.75	1.0
	Index of the sense of safety (%) <sup>14)</sup>	x	46	50	60
	Employment rate in rural areas (%) <sup>15)</sup>	.	46.1	51	54
<b>Priority V Development of rural areas</b>	Average surface area of a private agricultural farm (ha of arable lands) <sup>16)</sup>	16 (2003) <sup>17)</sup>	7.6	8.5	10.0
	Percentage of children living in the rural areas included in pre-school education	.	17.5	25	35
	Percentage of rural households having access to the Internet (%)	.	19	40	70
	Number of persons working in agriculture per 100 ha of arable lands <sup>16) 18)</sup>	9 (2003) <sup>17)</sup>	15	12	10
	Average diversification of the GDP per capita level by voivodship (%) <sup>19)</sup>	x	25 (2003)	24	23
<b>Priority VI Regional development</b>	Average unemployment rate in 3 subregions (NTS 3) with the highest unemployment rates.	x	37.0	30	20
	Share of eastern Poland voivodships <sup>20)</sup> in GDP	x	15.9 (2003)	18	20
	Urbanisation rate <sup>21)</sup>	.	61.4	62	65

Source: Poland – unless otherwise stated – data of the Central Statistical Office, the Ministry of Finance and Eurostat; EU-25 – Eurostat.

<sup>1)</sup> Ratio of gross fixed capital formation to GDP.

<sup>2)</sup> Harmonized index of consumer prices; for Poland – 2.2.

<sup>3)</sup> Acc. to ESA 95 and with the assumption that in the years 2010 and 2015 open pension funds are outside of the sector.

<sup>4)</sup> Average nominal monthly disposable income per person in households.

<sup>5)</sup> I – agriculture, forestry, hunting and fishing, II – industry and construction, III – services.

<sup>6)</sup> Harmonized unemployment rate; for Poland – 17.7.

<sup>7)</sup> Share of industry; for Poland – 27.0.

<sup>8)</sup> In enterprises of the manufacturing industry, with the number of employees above 49 persons.

<sup>9)</sup> For Poland – domestic ones, granted by the Patent Office of the Republic of Poland.

<sup>10)</sup> Registered in the European Patent Office (EPO) or within the Patent Cooperation Treaty (PCT); for Poland – 3.1.

<sup>11)</sup> According to CBOS research.

<sup>12)</sup> According to Transparency International; index of corruption perception (10 – means lack of corruption).

<sup>13)</sup> World Bank research; values from -2.5 to +2.5.

<sup>14)</sup> According to CBOS research Percentage of YES answer s to a question: Is Poland a safe country to live in?

<sup>15)</sup> According to LFS.

<sup>16)</sup> Regards farms above 1 ha.

<sup>17)</sup> EU-25 – own estimations on the basis of the Eurostat data.

<sup>18)</sup> According to the full-time equivalent in private farming.

<sup>19)</sup> Calculated acc. to the coefficient of variation (weighed by the size of population standard deviation of GDP per capita/average GDP in the country).

<sup>20)</sup> Lubelskie, Podkarpackie, Podlaskie, Świętokrzyskie and Warmińsko-mazurskie voivodships.

<sup>21)</sup> Percentage of population living in urban areas.

## RELATIONS OF THE NATIONAL DEVELOPMENT STRATEGY WITH OTHER STRATEGIES AND PROGRAMMES

While preparing the NDS, strategic and programming documents of the government of the Republic of Poland and the European Union were used. From among the national documents, the following constitute the basis for the preparation of the National Development Strategy 2007-2015: the “Solidary State” Action Plan of the Government of the RP and other strategic documents of the government like the National Reform Programme 2005-2008, Convergence Programme – Amendment 2005 Update, the National Security Strategy of the RP, Programme for Preventing Crime and Antisocial Behaviour, National Rural Development Programme, Transport Development Strategy, environment protection strategy and other sectoral strategies. The National Development Strategy took also into account the effects of the work on voivodship development strategies, on the National Spatial Development Concept and relates to the document Poland 2025 – Long-term Strategy for Durable and Sustainable Development. The NDS, being a strictly horizontal document, will coordinate all measures aimed at the development and modernisation of the country.

The “Solidary State” Action Plan of the Government of the RP is the main national document which constitutes the basis for the National Development Strategy. It concentrates on the following measures: supporting growth in investments and employment, healing public finance, supporting family and limiting the scope of poverty and social exclusion. Improving standards of public life and creating mechanisms of fair and efficient functioning of administration is the necessary condition for the implementation of the state improvement programme.

*Solidary State*

Some of the EU documents taken into account while working on the NDS are the Lisbon Strategy, the EU Sustainable Development Strategy, the Community Strategic Guidelines – Cohesion Policy 2007-2013 which supports economic and employment growth, Integrated Guidelines for Growth and Jobs 2005-2008 and EU strategic documents related to particular areas such as: employment (Social Agenda), general security (European Security Strategy), the role of young people in promoting growth and employment in the EU (European Pact in Favour of Youth), Programme “Education and Trainings” 2010, information society (and 2010 – European information society for growth and employment), development of science and innovation (the projects of the Competitiveness and Innovation Framework Programme (CIP) and the 7<sup>th</sup> Framework Programme of the European Community for research, technological development and demonstration activities 2007-2013, communications of the European Commission: Common actions for growth and employment – Community Lisbon Programme and More scientific research and innovation – Investments for growth and employment. The suggestions of the 3<sup>rd</sup> Cohesion Report, the results of works on the New Financial

*EU programming documents*

Perspective, as well as Commission Regulations concerning structural funds and the Cohesion Fund in the programming period 2007-2013 were an important source for the preparation of the NDS . The NDS relates also to European cross-border cooperation programmes.

*Realisation of the  
renewed Lisbon  
Strategy*

The National Development Strategy realises the objectives and challenges posed in the basic strategic document of the EU – the Lisbon Strategy and its renewed assumptions, putting stress on economic growth and employment. The NDS attributes high importance also to the aspects of sustainable development, following the amended Sustainable Development Strategy. It also implements the objectives of the EU cohesion policy included in the Community Strategic Guidelines for 2007-2013, directed in particular at investing into the motive powers of growth and employment, investing into areas of high growth potential, utilising knowledge and innovation, developing synergy and complementariness in relation to other Community policies, improvement of governance systems. The NDS takes also into account the macro and microeconomic objectives and guidelines included in the European Commission's document: Integrated Guidelines for Growth and Jobs 2005-2008 (IGGJ).

*National Reform  
Programme*

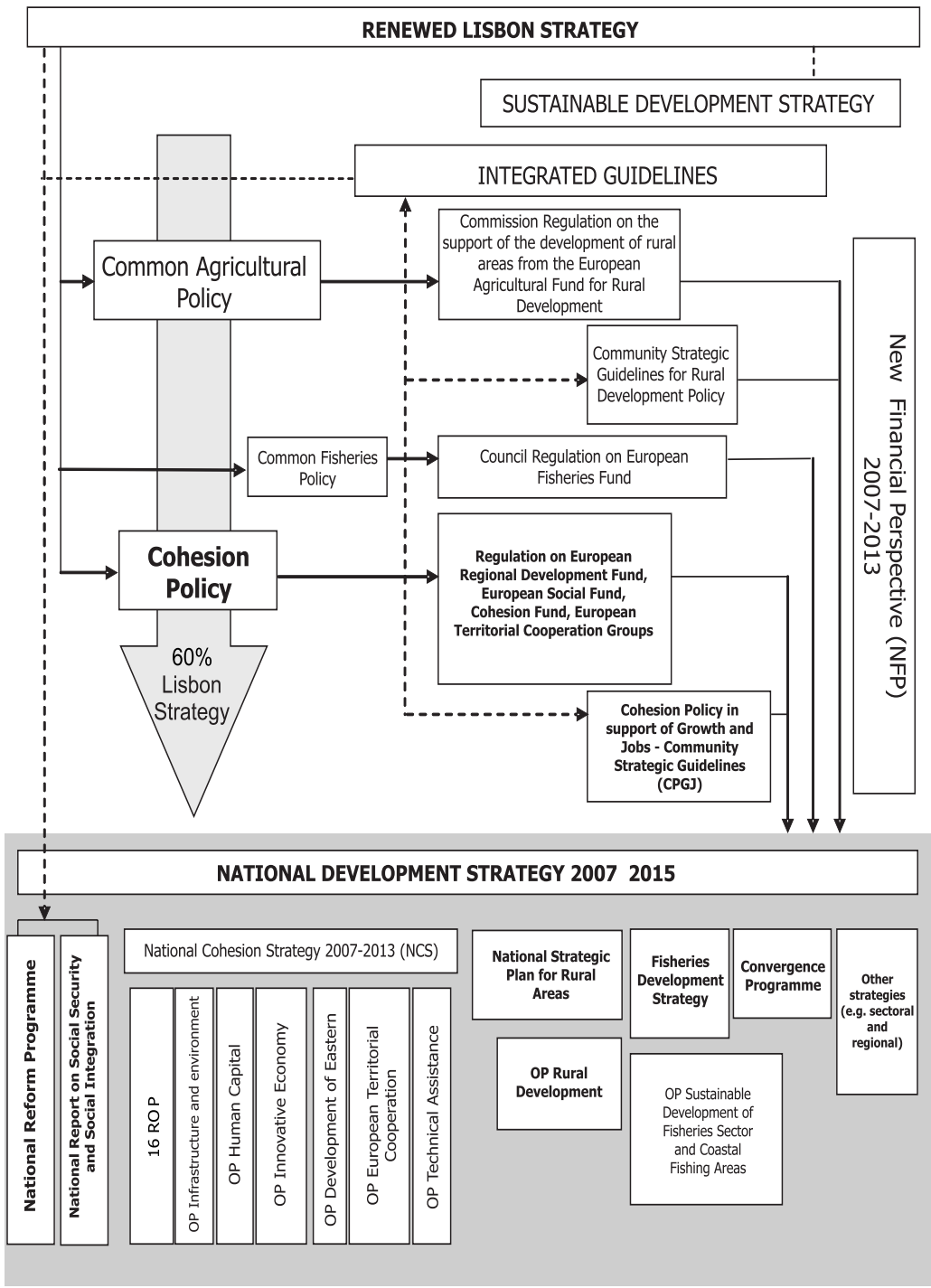
The National Reform Programme 2005-2008 (NRP) is the transposition onto the national ground of the assumptions of the community IGGJ. The document covers a wide range of problems, from public finance reform, through labour market and social security reform, to sectoral and deregulatory reforms. The directions of the reforms envisaged in the NRP shall be supported under central and regional operational programmes, as it is aimed to devote about 60% of community funds under the National Cohesion Strategy to the implementation of the Lisbon Strategy.

*Convergence  
Programme*

The National Development Strategy is also linked to the Convergence Programme – 2005 Update. It is the major political goal outlined in the Convergence Programme to achieve high long-term economic growth, which determines the process of real convergence with the EU Member States. High economic growth should be achieved by maintaining macroeconomic stability, that is with the level of inflation and the balance on the current account, allowing to maintain stability of currency's exchange rate and meeting the required Maastricht criteria. Continuation of the public finance reform becomes the key factor here, so as to diminish the fiscal imbalance and at the same time guarantee resources in the state budget for co-financing and pre-financing of projects within the framework of the state's structural policy.

*National  
Cohesion  
Strategy*

The areas supported from the funds of the cohesion policy in the years 2007-2013 have been fully reflected in the assumptions of the strategic priorities of the National Cohesion Strategy, directed at strengthening of modern economy, infrastructure, human resources and improving the quality of management in the public sector.





## EVALUATION OF THE SOCIO-ECONOMIC AND SPATIAL SITUATION OF POLAND

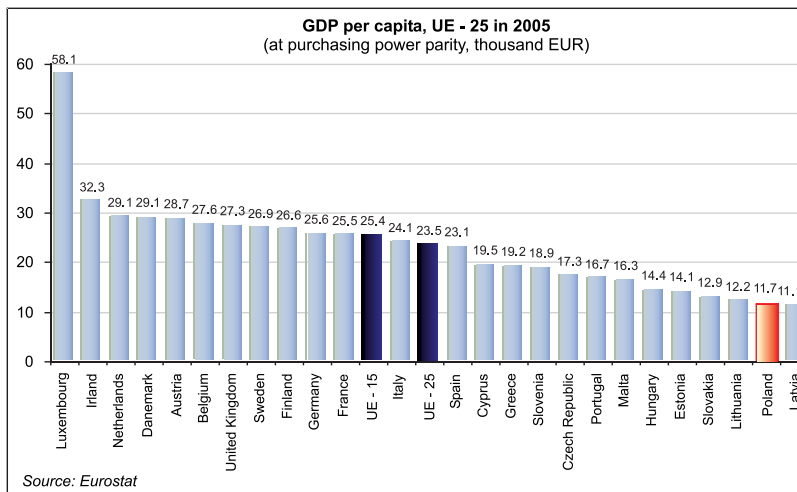
### 1. Horizontal level

#### 1.1. Macroeconomic situation

In the condition of growing openness of the economy and globalisation processes, as well as the accession to the EU, Polish economy is subject to stronger and stronger influence of the external environment, which is reflected in its development. At the same time, as a result of the hitherto internal processes, the economic situation is characterised by macroeconomic stability.

After a significant slowdown of the dynamics of the economic growth in the years 2001-2002, the year 2003, and especially 2004 brought about a significant improvement of the economic situation. In 2004 the GDP growth stood at 5.3% – the highest rate in 7 years, which stemmed mainly from the “integration impulse” and resultant increase of domestic and external demand. In 2005, the pace of the economic growth was eased to 3.5%. GDP per capita, as expressed at the purchasing power parity, reaching half of the EU-25 average. The proportion amounted to 47% in 2000.

*3.5% GDP growth  
in 2005 and  
acceleration  
in 2006*



In 2006 there was a revival in the Polish economy with the strengthening of positive tendencies in the first half of 2006. GDP increased by 5.4%.

The year 2005 was the second successive year of increase of the investment's role as a factor shaping the GDP dynamics. Gross fixed capital formation expenditure increased by 6.5%, but the investment rate in the national

*Growth of the  
role of  
investments*

economy amounted to mere 18.2%, as compared to 23.7% in the year 2000. At present a strong revival in investment outlays is observed. In the first half of 2006 these outlays increased, over the first half of 2005, by 11.4%, i.e. at a rate unobserved since 1998.

While evaluating the dynamics of investment processes we should pay attention to the fact that many enterprises of the manufacturing sector increased their pro-development undertakings in the pre-accession period and straight after the accession (in total, in the years 2003-2004, the increase of investments in this industry – in enterprises employing more than 49 persons – amounted to almost 34%), which enabled them to adjust to the norms and standards binding in the EU and to cope with the increased demand after the accession, mainly from the EU countries. In 2005 the investment growth rate in these enterprises was reduced to around 4.5%.

Transfer of the foreign capital in the form of direct investments creates favourable conditions for the growth of the pro-development activity. Considerable interest in our country has been observed, both on the part of large foreign concerns, and small and medium enterprises, Poland is evaluated better and better as a potential place for investments, among others because of availability of space and the cost of land. Also the relatively low CIT rate and inexpensive and professional workforce are important advantages.



*Foreign  
investments in  
Poland*

Foreign Direct Investments in 2005 reached 9.6 billion USD, and their accumulated value (since 1990) exceeded 90 billion USD. In the first half of 2006, the inflow of Foreign Direct Investments reached already 5.8 billion USD, so it was greater by almost 25% than in the previous year. It is a positive symptom that a growing proportion of the inflow was accounted for by investments from scratch, the so-called *greenfields* (their share reached 58% in 2004, as compared to 37% in 2002).

Investments are still financed mainly from domestic savings, whose ratio to GDP was still growing since 2003, reaching a level estimated at almost 19% in 2005.

For another year, foreign trade continued to serve as an essential factor of the economic growth, whereas – despite not always favourable conditions connected to the exchange rate and economic situation – the dynamics of the exports of goods for the sixth year in a row clearly outstrips the dynamics of their imports. As a result, there was a further reduction of the trade deficit. It was accompanied by advantageous changes in the structure of goods exported.

In 2005, in comparison with 2004, exports (in volume terms, in EUR) increased by 19.6%, while imports by 13.8%. During the last 5 years exports increased more than twice, and import by more than 50%. The trade deficit amounted to 9.7 billion EUR and was lower by 1.9 billion EUR (16.4%) than in the previous year and by almost 9 billion EUR (almost half) than the one achieved in 2000. In the first half of 2006 exports increased, in comparison with the first half of 2005, by 24.2%, and imports by 22.7%.

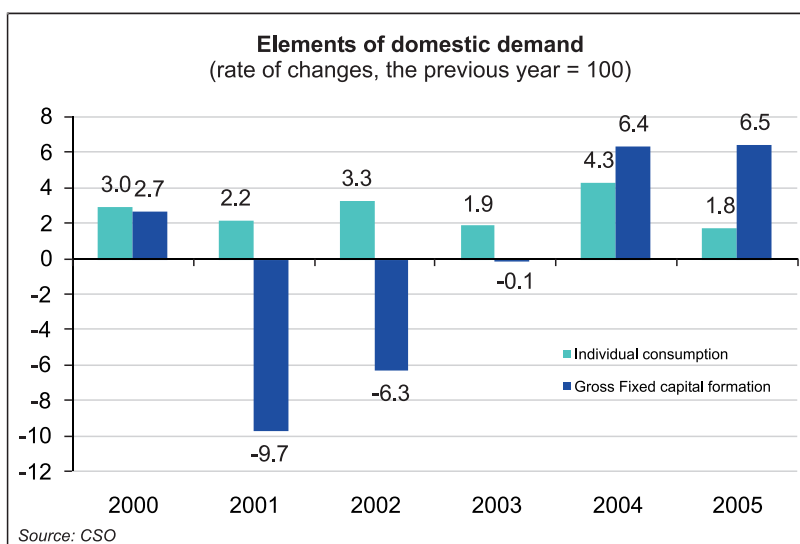
Exports revival resulted to a high extent from restructuring measures undertaken in the last years, which influenced the growth of competitiveness of the Polish goods offer on foreign markets.

*Exports  
revival*

The tendencies in the trade in goods were confirmed by the balance of payment data. Taking into account the growth of the positive current transfers' balance (among others thanks to the inflow of net EU funds) and that of services, as well as diminishing the negative revenue balance, the current account deficit decreased from 8.7 billion EUR in 2004 to 4.1 billion EUR in 2005, so its ratio to GDP narrowed from 4.3% to 1.7%. So, the year 2005 was the fifth, except for 2004, successive year of improvement in the external imbalances of the country.

In 2005 – despite low, especially in the second half of the year, inflation – the dynamics of consumption, especially the individual one, clearly diminished (the increase was 1.8%, as compared to 4.3% in 2004). It took place in the circumstances of real growth of the wages and salaries fund in national economy by around 3.5%, stagnation of real incomes from pension benefits, growth of household financial assets by 11.7% and increase in the indebtedness of households in the banking system by 22%. However, in the first half of 2006 significant increase was of individual consumption was observed (5.1%). As a consequence, the role of national demand as a growth factor increased once again.

*Decrease of the  
dynamics of  
individual  
consumption  
in 2005 and its  
significant  
increase in 2006*



The average yearly inflation in 2005 was 2.1%, as compared to 3.5% in 2004, staying within the limits of acceptable deviations from the inflation target, defined by the Monetary Policy Council (1.5%-3.5%). In the first half of 2006 inflation rate amounted to mere 0.7%.

*High  
unemployment*

Unemployment is a particularly severe problem of the Polish economy. Unemployment rate – despite the fall observed since 2004 – at the end of 2005 amounted to 17.6%. A further improvement in this area could be observed in 2006 – towards the end of the first half of 2006 the unemployment rate amounted to 16% (at the end of the first half of 2005 18%), yet it was still the highest one in the EU.

*“Fixed”  
expenditures  
limit  
the development*

The Polish economy has entered the boost stage; however its scale and durability will depend to a large extent on the fiscal policy. In the years 2001-2004 the ratio of the public finance deficit<sup>1</sup> to GDP fluctuated within the range 3.3-4.8%<sup>2</sup>, which was indirectly caused to a great extent by the faulty structure of expenditures. More than 70% of them are “fixed” expenditures, legally determined (a large part of them is accounted for by social transfers, to a high extent based on automatic indexation mechanisms). This limits the pool of budgetary resources which can be allotted to infrastructure investments, research and development, improvement of the quality of public services, active labour market policy. In the years 2001-2004 Poland was not meeting one of the convergence criteria included in the Maastricht Treaty – keeping the public finance deficit below 3% of GDP. The ratio of the public finance sector's deficit to GDP amounted to 2.5% in 2005, as compared to 3.9% in 2004 (after excluding OPF from the sector, the deficits amount to 5.7% of GDP in 2004 and 4.4% of GDP in 2005 respectively).

*Limiting  
public debt*

The result of a high deficit is – in conditions of the decline of privatisation revenues – increase of the public debt. In the course of the last five years it increased by two thirds, whereas GDP in current prices increased by almost one third, i.e. at a pace two times lower. While in 2000 the ratio of public debt to GDP amounted to 37.6%, in 2005 it amounted to 47.7% GDP, slowly approaching 50% of GDP, that is the first precautionary threshold defined by the regulations of the Public Finance Act. In the case this tendency preserves and possible only slight depreciation of PLN, the state public debt in relation to GDP may exceed 50% within the next two years. Transgressing that threshold means the necessity of launching the so-call precautionary procedures in the scope of budgetary policy. Thus, measures are necessary to reform public finance in the direction of reduction and restructuring of expenditures (in favour of expenditures of pro-development character), as well as regulations creating a better climate for the development of entrepreneurship, although the ratio of public debt to GDP acc. to ESA 95 will be lower than according to the hitherto calculation methods. According to ESA 95, public debt in 2005 amounted to 42% of GDP.

<sup>1</sup> More precisely – of the sector of government and self-government institutions.

<sup>2</sup> According to ESA 95 and with the assumption that the OPFs belong to the sector.

**Table 1. Basic macroeconomic indicators in the years 2000-2005**

	2000	2001	2002	2003	2004	2005
GDP (previous year=100)	104.2	101.1	101.4	103.8	105.3	103.5
Individual consumption (previous year=100)	103.0	102.2	103.3	101.9	104.3	101.8
Consumption expenditure of general government and NPISHs (previous year=100)	102.4	102.5	101.5	104.7	103.9	105.3
Gross fixed capital formation (previous year=100)	102.7	90.3	93.7	99.9	106.4	106.5
Domestic demand (previous year=100)	103.1	98.6	100.9	102.7	106.0	102.4
Export of goods and services (previous year=100)	123.2	103.1	104.8	114.2	114.0	108.0
Import of goods and services (previous year=100)	115.5	94.7	102.7	109.3	115.2	104.7
Prices of consumption goods and services (previous year=100)	110.1	105.5	101.9	100.8	103.5	102.1
Unemployment rate (%)	-	19.4	20.0	20.0	19.0	17.6
FDI inflow (billion USD)	9.3	5.7	4.1	4.6	12.9	9.6
Ratio of the balance of the current account to GDP (in %)	-5.8	-2.8	-2.6	-2.1	-4.3	-1.7
Ratio of the goods foreign trade turnover (payments) to GDP (in %)	-7.2	-4.0	-3.7	-2.7	-2.2	-0.9
Average EUR to PLN rate	4.01	3.67	3.86	4.40	4.53	4.03

Source: CSO, NBP

The recent economic results and economic perspectives are optimistic, which lies at the foundation of ratings that Poland is assigned by major rating agencies. In April 2006, Fitch Ratings evaluated Polish liabilities in foreign currencies at “BBB+”, with positive outlook, and also kept the rating for liabilities in the local currency at “A”, with stable outlook.

## 1.2. Competitiveness, innovativeness and information society

### Competitiveness



*Poland – 48<sup>th</sup>  
in the  
competitiveness  
rating*

According to the survey of the World Economic Forum of 2006, the Polish economy, from the point of competitiveness, occupies the 48<sup>th</sup> place among 125 countries, being the last of the EU-25 states<sup>3</sup>.

The Institute for Management Development (IMD) in Lausanne, in turn, which estimates competitiveness capacities of individual countries by examining the systemic conditions for performing economic activity, positioned Poland on the 58<sup>th</sup> place out of 61 classified countries and regions. Especially infrastructure, public administration effectiveness and high level of unemployment were negatively evaluated.

The listed phenomena which have negative impact on the level of competitiveness not always depend on the enterprises themselves. Enterprises (in particular SMEs) are characterised by high adaptability in the context of coping with the pressure of competitiveness on external markets. It is testified to, among others, by the increase of the productivity and export observed over the last years.

*Outdated  
structure of  
economy*

While the GDP per capita achieved in 2005 amounted to 50% of the EU-25 average, average labour productivity (measured in the value of GDP per one employed person) – 63% (as compared to 58% in 2000) and was higher than the one noted in the Baltic States and Slovakia. Average labour productivity is negatively influenced by, among others, the structure of economy, which significantly differs from that which exists in majority of the developed countries. It is characterised by higher share of agriculture and industry, and lower share of services – in particular modern services. In 2005, 4.8% (in EU-25 states 1.9% on average) Gross Value Added was accounted for by agriculture (including hunting, forestry and fishing, while 24.8% was accounted for by industry (20.4% in EU) and 2.8% (6%) by construction.

Though the services sector is developing systematically, its share in the creation of value added in Poland (64.6% in 2005) is still lower than the EU average (71.7%). Traditional services (connected to commerce, repairs, hotels and restaurants and connected to transport, warehousing and communications) accounted for 27.3% of gross value added in Poland (21.6% in the EU), services, whose existence is determined by modern market economy (financial intermediation and real estate and business support services) – 17.7% (27.4%), while the rest – 19.6% in Poland (in EU – 22.7%) is mainly accounted for by non-market services (connected to public administration, defence, education, health service and social assistance).

*Services are the  
chance for  
growth of  
employment and  
competitiveness*

The services sector employs already more than half of the total number of the employed people in Poland (more than 53% in 2005, as compared to 60% on average in EU<sup>4</sup>). It is estimated that it is still possible to create a significant number of new jobs in services. One of the reasons for that situation is that, because of low labour costs, as well as considerable resources of young educated personnel – Poland may be a place of locating service centres by foreign investors, designed to service whole concerns. The existing service centres from the accounting, computer, logistics and other industries exemplify that trend. Poland's membership in the EU gives also the chance to increase export of Polish services to the other Member States.

<sup>3</sup> According to the report published in autumn 2006, on the basis of questionnaires collected from more than 11,000 heads of companies all around the world.

<sup>4</sup> Aged above 15.



Popularising electronic services will also be of importance. Investment activities should include both IT services and databases of the government and local administration, as well as development of commercial networks and electronic services in voivodships.

The structure of the economy is one (beside the structure of energy consumption) of the reasons of high energy consumption (measured by the total energy consumption related to the GDP). Despite the significant (the highest among the new member states) fall, in 2004, it was almost 3 times higher than the average in EU-25 (10 years earlier the difference was 4.6 times).

The volume of export of goods and services was quickly growing in the last five years – 8.7% per year on average, as compared to the EU-25 average of 3.8%. On the other hand, the share of high-tech products in exports – which is one of the measurements of the competitive position of a country and also attests to the economy's ability to introduce new technologies – has amounted to 2-3% since 2000 (as compared to the EU average of 18%<sup>5</sup>).

The actions undertaken by enterprises and the improvement of the economic situation, in combination with the decisions to lower the tax burden and interest rates, had favourable influence on the general effectiveness of economic entities. They achieved good financial results in the years 2004-2005. In 2005, the profitability rate of gross turnover amounted to 4.9%, and the profitability rate of net turnover – 3.9%. Enterprises had more available funds than in the previous years, which was reflected in the growth of the level of deposits and moderate demand for loans. As a result, the ratios of financial liquidity and companies' debt-service burden improved significantly. The financial liquidity ratio, characterising the capability of enterprises to settle current financial liabilities – increased to 31.9%, with the ratio of 20% being considered by the banks as a safe level. At the same time, almost all indicators related to the efficiency of exporting enterprises are better than the ones oriented on domestic production.

*Improvement of  
the effectiveness  
of enterprises*

<sup>5</sup> Excluding export within the EU-25.

### *High state aid*

The improvement of general competitiveness should also serve restructuring purposes of Polish economy. From the moment of Poland's accession to the EU, the actions connected to granting public aid are fully subject to EU regulations. In 2004, public aid amounted to 8.8 billion PLN, i.e. 1% of GDP, as compared to 0.44% of GDP in EU-25. 50.5% of the total public aid granted (excluding transport and agriculture) was allocated to horizontal goals, while about 32% to sectoral aid. Beneficiaries of public aid were mainly large state enterprises.

### **Innovations**

#### *Low level of innovativeness*

Innovativeness of industrial enterprises in Poland is low, which is evidenced by one of the lowest innovativeness indicators in the EU<sup>6</sup>. In 2004, innovative activities were carried out by 39% of industrial enterprises<sup>7</sup>.



Technological advancement is taking place mainly through modernisation of the machinery – around 60% of the totality of investments were expenditures on the purchase of machines and equipments. Whereas they devoted only around 7.5% of resources on R&D activities (one of the major sources of innovations) and on the purchase of new technologies – around 3%.

Apart from the amount of outlays, another important measure of innovativeness of the sector of industrial enterprises is the share of new and modernised products in total sold production, which reflects the implementation capability of enterprises. In 2004, the share in industrial manufacturing amounted to 22.3%, as compared to 18.5% in 2000.

<sup>6</sup> In 2005, the indicator for Poland amounted to 0.21 (as compared to the average of 0.42 for the EU-25), which gave Poland the 21st position among the EU countries. Source: *European Innovation Scoreboard 2005*. European Commission, Luxembourg 2005.

<sup>7</sup> Concerns enterprises with the number of employees exceeding 49 persons.

Moreover, a low level of cooperation between the industrial sector and the potential suppliers of innovative technologies is being observed. To a high extent it is a consequence of low effectiveness of services supporting innovativeness. In Poland, in 2004, there were 537 institutions engaged in supporting innovativeness – of which more than half was accounted for training and advisory centres, and only 10% by institutions indicated the ability to support innovative activities in the scope of the transfer of technologies<sup>8</sup>.

### Research and Development sector (R&D)

The sector is characterised by a low share of outlays in relation to the GDP, while the dominance of budgetary financing and a small share of economic entities in those outlays. In 2004, the expenditures on research and development activities, financed mainly from budgetary resources, but also non-budgetary ones, reached 0.56% in relation to the GDP. What is particularly alarming is the worsening of the indicator (it amounted to 0.64% in 2000). By comparison, the indicator for the whole EU-25 amounted to 1.9% in 2004, while the highest proportion was devoted to R&B in Sweden (3.7% of GDP) and Finland (3.5%), while the lowest in Malta (0.29%), Cyprus (0.37%) and Latvia (0.42%).

*Low expenditures  
on the research  
and development  
sector*

The structure of outlays by source of financing of R&B activities differs from the one observed in the EU Member States. Majority of the resources allocated to that purpose in Poland comes from the state budget (61.7% of the total outlays in 2004), while the share of economic entities amounts to as little as 22.6%, the Polish Academy of Sciences scientific centres and research and development units – 7.5%, while foreign funds – 5.2%. Whereas in the EU-25, on average in 2003, governments financed 34.9%, enterprises 54.3%, while foreign funds accounted for 8.5% of expenditures.<sup>9</sup>

In 2004, 39.5% of the total amount of current expenditures on R&B was devoted to basic research, financed mainly from budgetary resources. 35.5% was spent on development works, while 25.2% on applied research. Such structure of expenditures is characteristic for less-developed countries.

Furthermore, the bad condition of the sector is determined by high decapitalisation rate of scientific instruments and unfavourable age structure of the personnel engaged in R&D activities, which results especially from insufficient incentives to undertake the career in science by young people.

*Decapitalisation  
of scientific  
apparatus*

The attrition rate of research and development infrastructure is growing and amounted to almost 80% in 2004.

The number of researchers per 1000 professionally active persons in 2004 reached 3.9, as compared to 5.5 in the EU (with 16.4 in Finland). Also the relatively late age of obtaining an academic degree of assistant professor and the title of professor should also be noticed. It can be noticed that academics work in several places (which is caused by insufficient remuneration) and their educational duties are increased (as a result of a much faster rise of the number of students). A low percentage of the total research and development employees (about 8%, as compared to around 50% in EU-15) are employed in the sector of enterprises.

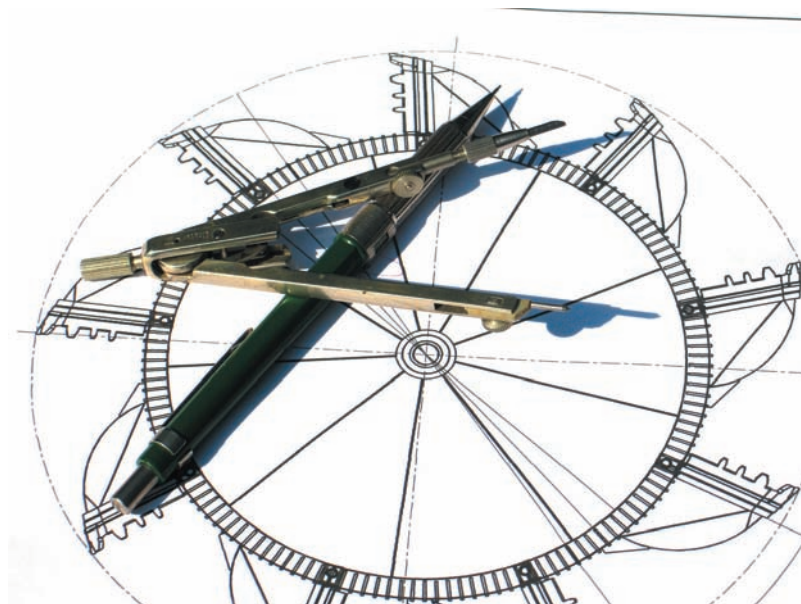
*Too small  
research and  
development  
personnel*

<sup>8</sup> The data of the Polish Association of Capital Investors.

<sup>9</sup> There exist some differences in scope, which, however, do not change the general proportion of expenditures.

### *Low number of patents*

The low level of innovativeness and low outlays on R&D make the number of inventions reported to the RP Patent Office for patent protection by domestic researchers stay at the level of 2,200 applications a year over the last few years (in 1990 it was more than 4,000), and of granted patents at the level of about 770 (3,200 in 1990). In comparison to other EU countries the indicators of inventiveness are very low. For instance, while calculated per 1 million population, in the EU-25 the number of patents granted by the European Patent Office<sup>10</sup> amounted in 2001 to 134.5 on average, in Poland – almost 3.1, locating Poland at the last but one position in the EU.



### Information society

Expenditures on technologies in 2004 in Poland constituted 2% of GDP, while in the EU-25 3% on average (the most – more than 4% - in Sweden and the United Kingdom).

Popularisation of the access to the Internet is the necessary – yet insufficient – condition for the building of information society.

In 2005, only 40% of households in Poland had a personal computer, while 30% had broadband access to the Internet, while the EU-25 average was 58%, 48% and 23% of the total of households respectively. However, the fast pace of making up for the underdevelopment in that scope should be stressed. In terms of broadband access of households to the Internet, Poland occupied 14<sup>th</sup> position among the EU-25 states in 2004.

The level of utilisation of computers and Internet access is much higher in enterprises. In 2005, as much as 93% of the total of enterprises was using computers, 85% was using the Internet, while 43% had broadband access to the Internet, as compared to 96%, 89% and 63% on average in the EU-25 respectively.

<sup>10</sup> Or within the Patent Cooperation Treaty (PCT).

The measure of popularisation of broadband access to the Internet, regardless of the type of user, is the number of broadband connections related to population. In 2005, in the EU-25 countries, the indicator amounted on average to 10.6%, while only 1.9% in Poland. Lower indicators could be observed only in Greece and Slovakia, while the highest – in the Netherlands and Denmark (more than 22%), while from the New Member States – in Estonia (more than 11%).<sup>11</sup>

The number of e-services rendered to the citizens, business and general public services realised on-line is two to three time lower than in the EU-15 countries. The level of advancement of the development of public services in Poland amounts to 54% (among EU-25 states – 75%).<sup>12</sup> The level of fully interactive operations of public services *on-line* reaches 9% (40% in the EU), which gives Poland the third worst position. The highest indicators of the development of public *e-services* for citizens is observed in such services as: job search (74%), personal income tax (50%), enrolment at higher educational institutions (36%), and the lowest ones in: health service (2%) and registration of reports to the police (2%).

### 1.3. Technical infrastructure

Restructuring and investment processes in the transformation period changed the structure and quality of assets functioning in the economy. Whereas at the beginning of the 90's, 16% of the value of all fixed assets was accounted for by sector I, 34% by sector II, and 50% by the sector of services, at the beginning of 2005 – 7%, 33% and 60% respectively. Over the last 10 years the resources of capital increased actually by more than 36%, while the GDP by more than 50%. It proves a general improvement of the effectiveness of the use of assets.

There are areas, however, where the situation – despite the changes made so far – still is clearly different than the one noted in the EU countries, having a negative influence, among others, on the general competitiveness of economy and the state of country's natural environment.

#### Transport infrastructure

Despite the changes which took place in Poland in the last 15 years, transport is still an underdeveloped area, severely underinvested and offering enterprises and citizens services usually of bad quality. Simultaneously Poland – as a Member State – is bound by the basic objectives of EU transport policy, i.e. the creation of an integrated transport system, liberalisation of the transportation market, increasing the safety of carriage, improving the quality of transport services.

The total length of **public roads** with hard surface amounted to 252,000km by the end of 2005. The total density of the roads reached 80.7km per 100km<sup>2</sup>. The most dense network was in the following voivodships: Śląskie – 163.8km, Małopolskie – 143.3km, Świętokrzyskie – 103.6km, while the least dense in: Warmińsko-Mazurskie – 50.8km, Podlaskie – 53.8km, Zachodniopomorskie – 56.6km and Lubuskie – 57.1km. Almost 89% of the length of the roads with hard surface was accounted for by roads with improved surface, as compared to 82% in 2000. The roads are

*We have too few  
motorways and  
the roads are in  
bad condition*

<sup>11</sup> The above data – on the basis of the GUS survey *Wykorzystanie technologii informacyjno-telekomunikacyjnych w 2005 r.*, of 22 December 2005.

<sup>12</sup> On the basis of the survey *Online availability of public services: How is Europe progressing?* carried out on commission from the EC by CapGemini, June 2006.

characterised by low technical quality – bad condition of the surface, collision junctions, lack of ring roads. There is also insufficient number of well formed network of transit roads in most of the cities. Thirteen international roads of the total length of 5,500km join our country with the network of most important trans-European connections, located in particular within pan-European transport corridors TEN-T. Transit traffic is taking place on roads of various technical classes, as Poland occupies one of the last places in Europe in terms of the proportion of motorways in the total length of roads. At the end of 2005, the total length of motorways amounted to 552km, while that of expressways (one- and two-lane) 258km.

*Density of  
railroads exceeds  
EU average, but  
their technical  
condition is poor*

The technical condition of the roads is inadequate. At the end of 2005, national roads with good surface constituted 48.9% of all roads, unsatisfactory 26.2%, and bad 24.9%. Moreover, most of the roads are adopted to the traffic of vehicles with the load of 8-10 tonnes per axle. The EU norms envisage 11.5 tonnes per axle. The standard is met by 13% of road surfaces at the moment.



*Lack of fast  
railroad  
connections  
between the most  
important cities*

The fundamental problem of **rail transport** is the bad condition of infrastructure and the exploited rolling stock. The length of railroads in 2000 amounted to 22,600km; however, it subsequently diminished to 20,300km in 2005. The density of railroads diminished from 7.2km/100km<sup>2</sup> in 2000 to 6.5km/100km<sup>2</sup> in 2005, yet it exceeded the EU average (5km/100km<sup>2</sup>). Particularly high density of railroads can be found in the highly industrialised voivodships of the south of the country, especially Śląskie Voivodship (17.2km/100 km<sup>2</sup>), while the lowest (less than 5km/100km<sup>2</sup>) in Podlaskie and Lubelskie Voivodships. Around one third of railroad lines is characterised by an inadequate technical condition, requiring the introduction of serious speed limits or suspending exploitation. Also one third of them is in good condition and requires only current maintenance works. The rest is characterised by adequate technical condition, yet the increased scope of repair works is necessary. Degradation of electrical and telecommunication traction, as well as the level



crossing protection devices are proceeding. Also the lack of fast connections between the most important cities of the country and connecting the railway transport network to the Trans-European Transport Network.

There function 12 communication airports – the Warsaw-Okęcie International Airport and 11 regional airports, as well as 42 local airports. The condition of the airport infrastructure and the servicing of air traffic is quite good, while the high challenges are posed by the dynamic rise of air traffic. In 2005, Polish airports served more than 11.5 million passengers,<sup>13</sup> i.e. around 30% more than in 2004 (average increase in Europe amounted to 6.3%).

Despite the fast increase in the volume of passenger air transport, the indicator of air mobility, measured as a number of passengers related to a number of population, is still very low in Poland (3%) and significantly differs from the indicators not only of developed European countries, but also countries at a similar stage of development. It is much lower than in France (35%) or Spain (55%) and lower than in Hungary (8%) or the Czech Republic (12%).

*Air mobility  
indicator is still  
low in Poland*

Bad technical condition of the seaport infrastructure seriously limits competitiveness of seaports. Also the condition of infrastructure of access to seaports, both from the side of the sea and the land, which prolongs the time of reloading operations in land-maritime chains, increases the costs of performing such services and limits the assortment of serviced cargoes.

Reloading traffic in seaports amounted to 59.5 million tonnes in 2005 (47.9 million tonnes in 2000), of which 21.2% was accounted for by transit cargoes.

It is necessary to support renovation of the tonnage. At the end of 2005, sea transport fleet of Polish shipowners and operators amounted to 130 ships, of which 17 were sailing under Polish flag. The average age of a ship amounted to 20.1 years (of which of ships sailing under Polish flag – 28.9 years).<sup>14</sup>

<sup>13</sup> In total – arriving and departing from seaports and to domestic and foreign seaports.

<sup>14</sup> Data from the Ministry of Maritime Economy.

*Transport  
inefficiency of  
large cities  
grows*

The very fast pace of the growth of the number of passenger cars contributed to the rapid increase of the traffic density in the centres of large cities, but at present also in suburban areas. The growing transport and communication inefficiency of large cities, diminishes their attractiveness as a place for working and living, as well as a destination for tourist. Furthermore, there is the danger that the situation will become a factor thwarting inflow of foreign investments. The most serious problems occur in two agglomerations: of Warsaw and Silesia, yet transport inefficiency is a common disadvantage of the space of large cities. Beside scarce exceptions, Polish cities are devoid of ring roads and the number of bridges in agglomerations divided by rivers is usually too little. Efficient public transport (fast tram, underground, fast city railroad) occurs sporadically.

### Energy infrastructure

*Coal as the basis  
of Polish energy  
sector*

Energy comes in Poland mainly from non-renewable sources. According to Eurostat, in 2003, the source of 89% of the produced primary energy were solid fuels, 1% – crude oil, 4.6% – natural gas, and 5.3% – renewable sources. However, the EU-25 average proportions were as follows: 22.2%, 16.4%, 21.4% and 11.5% respectively, while the remaining 28.4% was accounted for by nuclear energy. Such a structure of energy production in Poland results in the fact that the energy sector is one of the major air pollutants.

The installed power of power plants amounted to 34,700MW at the end of 2005. A large part of power units in our country is more than 30 years old.

*National energy  
transmission  
network requires  
modernisation  
and rebuilding*

The condition of the network in Poland does not ensure effective functioning of the energy market. High level of decapitalisation of fixed assets in the sector, constantly growing demand for energy and the growth of requirements as to its quality lead to the fact that it is necessary to carry out successive modernisation and rebuilding of the transmission and distribution network in order to ensure energy security, both at the national and at the local level. Extension of gas transmission pipelines improved the possibilities of transferring natural gas from various points of the transmission system. For proper functioning of the transmission infrastructure and to ensure energy security, it is necessary to expand natural gas storage and build a LNG terminal. However, the state of development of distribution networks looks bad. They did not develop at the same pace as transmission networks, so still many towns and villages in Poland is not covered by a system of natural gas supply via pipes.

### Environmental protection infrastructure

*We have  
observed a clear  
improvement in  
the area of  
environmental  
protection*

Within the last dozen years a considerable progress in the area of environmental protection has been achieved. As a result of significant reduction of energy and material consumption of production, changes in the system of financing pro-ecological activities and adjusting the environmental protection norms to the EU standards, the negative pressure of economy on environment diminished. Its state, in many elements, does not significantly diverge from the one observed in developed countries, and it is even better when considering the soils. New challenges for the environment came to existence with Poland's accession to the EU (including those connected to the implementation of the obligations imposed by the Treaty).

The constant growth of the area of protected areas – 1.7 times in the years 1991-2005 – is a positive symptom. At the same time, Poland, by becoming a Member State, started participating in the creation of the European system of protected areas called Nature 2000, which includes a large proportion of already protected areas. Until 2005, the total of 265 areas of the total area of more than 29,000km<sup>2</sup> was qualified for the system. Covering further areas with the system is being considered. Natural cohesion pointed out by the Nature 2000 system will be one of the most important factors shaping the spatial policy in Poland until 2015.

Consistent implementation of the decisions of ecological policy, as well as the processes of restructuring and modernisation of economy, contributed to lowering the level of pressure on the environment. Emission of air pollutants – SO<sub>2</sub>, NO<sub>x</sub> and ashes – decreased by around 55%, 38% and 76% respectively in comparison to the beginning of the 90's. More than 90% of industrial and municipal sewerage requiring purification is included in it. As a result of the above measures, the quality of air in industrialised areas improved radically, just like the quality of most of flowing waters, though still to an insufficient degree. Also a considerable improvement in the area of industrial and municipal waste management. Yet still the parameters of pollution diverge from the average EU values, therefore the tendency to reduce expenditures on environmental protection is alarming. In the second part of the nineties, outlays on the purpose constituted 1.4-1.6% of GDP, and now do not exceed 0.6%.

*The tendency to reduce expenditures on environmental protection is alarming*

Rationalisation of water and sewage management in cities led to a fall of almost 45% of the volume of drained municipal sewage in 2004 in comparison to 1990. It was caused, among others, by the growth of the length of sewage network from 51,100km in 2000 to 73,900km in 2004, while it increased by half in the country. Also population in cities using sewage treatment plants increased. Nevertheless, they serviced only 60% of the population of the country in 2005 (85% in cities, only 20% in the country). In the Western European countries, sewage treatment plants service more than 78% of the population. In Poland, only 375 cities (more than 40% of all cities) and 416 rural gminas (about one fourth) were equipped with sewage treatment plants with increased reduction of nitrogen and phosphorus compounds.

*Only 1% of rural gminas and 40% of cities have modern sewage treatment plants*

In the years 1990-2004, the volume of industrial and municipal sewage drained to surface waters was limited (of which significantly – by about 85% - untreated sewage), which was influenced by widespread usage of modern methods of municipal sewage treatment, as well as diminishing the total volume of sewage.

The degree of being equipped in sewerage network. In 2004, the network amounted to 239,200km. A significant improvement can be observed in connecting inhabitants of villagers to collective sewerage networks. Almost 2.7 million residential buildings were connected to it in 2004, i.e. 16.2% more than in 2000.

Progress was achieved in the area of industrial and municipal waste management. The total volume of produced waste decreased from 125.5 million tonnes in 2000 to 124 million tonnes in 2004, while collected municipal waste from 12.2 million tonnes to 9.8 million tonnes. The volume of dumped municipal waste calculated per capita decreased from 310kg in 2000 to 241kg in 2004 (in the EU-25 from 287kg to 247kg respectively).

The main sources of air pollution are: professional and industrial power industry, industrial technologies, municipal and residential sector and transport. In processes concerning acidification and eutrophication and the growth of the concentration of ozone, an important part was played not only by emission from domestic sources, but also pollution coming to Poland from other countries as a result of trans-border transfer.



#### 1.4. Elements of social infrastructure

##### Health

The share of public expenditure on financing health care tasks in Poland in 2004 amounted to 4.02% of GDP. It was much lower than in other EU Member States, where it usually exceeded 5% (in some of them it was even two times higher).

##### *Migration abroad of medical personnel*

The potential access to medical care is evidenced by the number of doctors and nurses. Poland is characterised by a relatively low indicator of the number of doctors per 1,000 population. In 2004, the indicator reached 3.3 and was lower than in EU countries (apart from the United Kingdom). Also the lack of nurses is becoming increasingly higher (indicator – 4.6 per 1,000 population). In view of the relatively low salaries of employees of the health care system on the one hand, and the demand for well-qualified medical personnel in the EU Member States – on the other hand, a growth of migration abroad of medical personnel has been observed in the last years.

##### Tourism

##### *To use the potential for tourism*

Poland has a great tourism potential, yet the effects of tourism on economy are lower than it would result from the scale of tourist traffic. In 2005, the arrival of 15.2 million foreign tourists was observed, while their average expenditures on the territory of Poland amounted to around 150 USD per person and almost 34 USD per day. According to the Tourism Institute, the share of the tourism industry in the gross value added of exceeded 6% in 2005.

Some of the factors which have negative impact on tourist activity of the Poles are the difficult situation on the labour market and in the social sphere. Some of the barriers limiting the dynamics of the arrivals of foreign tourist – insufficient promotion of Poland as an attractive tourist destination, lack of expressways and motorways, insufficient number and capacity of regional airports.

## Culture

The share of culture and cultural industries in the creation of gross value added is very high (5.2% in 2002) and close to the one achieved by the developed countries of Europe.

At the end of 2005, the register of historic monuments contained about 61,500 historic buildings, about 180,000 historic objects 6,000 archaeological finds. Thirty buildings of special value for national culture were deemed the President of the Republic of Poland as a monument of history. The UNESCO World Cultural and Natural Heritage List contains 13 items of historic buildings located on the territory of Poland. As much as 42% of historic buildings entered in the register of historic buildings requires safety renovations or major renovation.

*Necessary protective renovations of historic buildings*

One of the most common and basic forms of participation in culture is readership, yet for a few years the number of libraries has been systematically diminishing. What is observed is the development of a network of museums and their exhibition activities. However, there are in Poland no institutions denoted as “modern museums,” which present the attainment of civilisation, including cultural output, in an innovative and interactive way. The number of performances and concerts as well as the number of spectators and auditors is falling. A network of cinemas which have a dozen cinema halls is developing. There are still disproportions between the city and the village in access to cultural institutions.

## 1.5. Human capital

### Demographic changes

By the end of 2005 the population of Poland amounted to 38.2 million, and the year was a seventh year in a row when a real attrition of population was observed and at the same a fourth with negative population growth. Among other European countries the population of Poland is still young in the demographic sense, yet the median age is growing up (it amounted to 36.5 in 2004 – as compared to 34.0 in 1995), which means that the society is aging.

*We have negative population growth – the society is growing old*

In the years 1991-2005, the share of children and teenagers (0-17years) went down by 9.1 percentage point – to 20.6% of the whole population. However, the number of persons in the working age, who constitute 64% of the country population, increased by 2.5 million. Post-working age population is growing (men aged 65 and above, women aged 60 and above). In comparison to the year 1990, their number increased by almost 1 million. At the end of 2005, the share of that age-group in the total population amounted to about 15.4%, i.e. increased by 2.6 percentage points as compared to 1990.

It is estimated that the production age population will be decreasing after 2010 and will amount to 22.6 million people in 2020 (20.8 million in 2030). The reason for such a situation is the low birth rate, which has maintained since the mid-90's.

*The working age population will be diminishing*



Simultaneously, it is envisaged that after 2011 there will take place an acceleration of the process of aging of the society. The number of people in post-production age will grow to 8.5 million in 2020 (9.6 million in 2030). As a result of the processes, the population of Poland will decline, until 2030, in comparison to 2000, by around 2.6 million people, while the demographic burden, i.e. the ratio of the post-working age population to working age population will increase from 24% at present to 46%. It is worth noticing that among the growing number of elderly people there will be people who will not be able to function independently, including persons disabled and requiring nursing.

#### Labour market

*Employment  
rate in Poland  
is the lowest  
among EU  
Member States*

After six years of deterioration of the situation on the labour market, towards the end of 2004 there were the first symptoms of its improvement, which became established in 2005. The number of jobs and employment were growing gradually, while unemployment rate was falling systematically. At present, acceleration of both processes is being observed. The employment rate is still the lowest in all EU-25 countries (in 2005, in the age group 15-64 years, 52.8% of the EU-25 average – 63,8%). At the same time, easier access to labour markets of the Member States, as a result of Poland's accession, has caused an increase of the number of Poles (especially young people) working abroad.

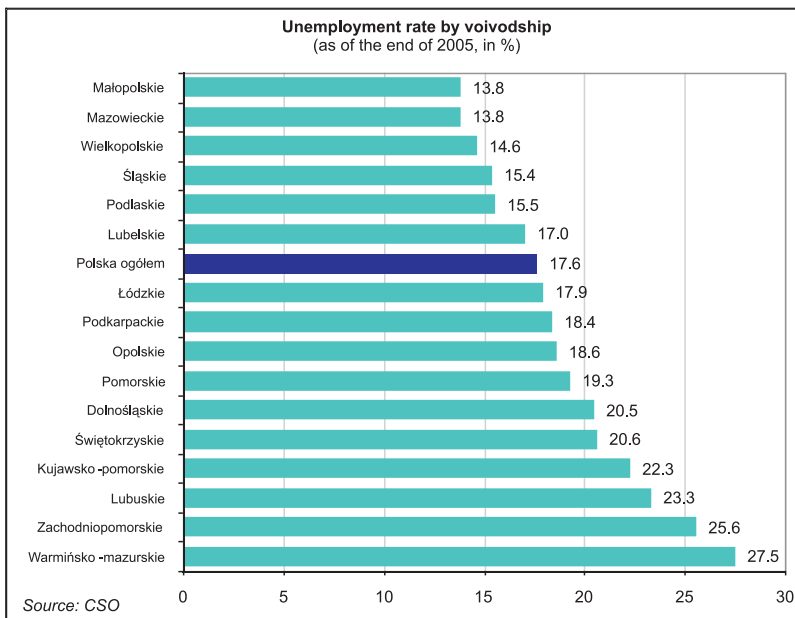
The structure of the employed persons has changed over the last few years. There occurred a fall in the share of those employed in industry and agriculture, while the share of people employed in services rose significantly. There is still observed in Poland a much higher proportion of people employed in agriculture than in EU-25. On average in EU Member States, the share amounts to 4.9% (in 2005, in the group of people aged 15 and above), while in Poland 17.4%. High employment in agriculture does not fully fulfil production functions, but accommodates overt (1.2 million people) and disguised (estimated at around 1 million people) unemployment, constituting an important factor of balancing the labour market. The proportion of people working in the industrial sector amounted to 27.5% in the EU and 29.2% in Poland. The greatest group of employed was constituted by people working in the services sector – 67.6% and 53.4% respectively.



Despite the growth of demand for labour, with still high supply (it is estimated that the production age population increased in 2005 by more than 165,000 people, i.e. at a rate unobserved in other European countries), unemployment was still high, though its level and rate, as compared to the previous years, decreased. At the end of 2005, labour offices registered almost 2.8 million unemployed, i.e. 227,000 less than the year before, while unemployment rate fell to 17.6%, from 19% at the end of and 20% in the years 2002-2003. Nevertheless, it was the highest among EU-25 countries.

Despite the downward tendency of both unemployment level and rate, territorial discrepancies in this scope are not diminishing. The worst is the situation of still underdeveloped agricultural regions of northern and north-eastern Poland. The lowest unemployment was observed in large urban agglomerations with high urbanisation level, well-developed industry and services. For instance, unemployment rate reached 5.6% in Warsaw at the end of 2005 (as compared to 13.8% in the whole Mazowieckie Voivodship) and 6.1% in Poznań (as compared to 14.6% in the whole Wielkopolskie Voivodship).

*Demand for labour is growing steadily, but unemployment is still high*



*The most difficult problem is long-term and young people unemployment*

The most difficult problem to solve is long-term unemployment and ineffective job search by young people. At the end of 2005, the number of people who remained jobless for over one year amounted to almost 1.4 million, constituting 50.2% of all unemployed. Because of the long average period of a job search (18.4 month in the 4<sup>th</sup> quarter of), the chances of that group of unemployed people to return to work are very small, which means aggravation of poverty of the people and their families.

Unemployment rate among young people (aged up to 24) amounted to 34.6% at the end of 2005. Professional activation of that social group is still insufficient.

*Too high labour costs thwart the growth of employment*

The most numerous and most affected by long-term unemployment group are people with the lowest qualifications. At the end of 2005, 65% of the unemployed had vocational education and lower. What is alarming is, however, the large and growing proportion of the unemployed with higher education. They accounted for 5.5% of all unemployed, while the unemployment rate in the group was 7.3% in the 4<sup>th</sup> quarter of 2005. It means a growing mismatch between their education and the needs of the labour market.

The high, non-salary costs of labour, connected to the existence of the so-called tax wedge, are still an important factor thwarting the growth of employment. Its size is influenced by all kinds of social burdens (social insurance contribution, which includes high compulsory pension fund contribution), burdens for the employer connected to employing employees and income tax. The high tax wedge – amounting to more than 42% in our country – is one of the factors contributing to the existence of the “black economy”.

### Poverty

*Growth of material stratification of the society*

The development of free market economy caused the unavoidable, but also quite impetuous process of material stratification of the society. As a consequence, the disparity of incomes grew, both between household groups and within the groups.

The growth of material stratification is linked to the increase of the sphere of poverty. In 2005, 12.3% of the whole population were living below the subsistence minimum.

Material stratification of the society, in particular the high number of the groups with low income entails a series of unfavourable phenomena, especially in the social sphere (among others, the danger of pathological phenomena, or inequality of development chances, which means “inheritance of poverty”). It evokes the feeling of injustice, and, as a consequence, intensifies exacting attitudes and entails the risk of social exclusion.

### Education and qualification level

*Educational aspirations of the poles are growing, yet we still have a high proportion of people with the lowest education*

The constant growth of the education level of the Poles, connected to growing educational aspirations, is a positive phenomenon which could be observed over the last few years. However, the low level of participation in pre-school education of children aged 3-5 (about 38%) is an unfavourable phenomenon, as the indicator fluctuates between 70% and 100% in the countries of the Western Europe. Poland is characterised by both a high percentage of people with the lowest level of education, and a relatively narrow group of people with the highest qualifications. In 2003, 24% of population aged 15-64 was accounted for by people with lower secondary education and lower, while 30% by people with vocational education. In the EU-15 countries the last indicator reached around 40%. At the same time in Poland, despite the high engagement of young people



in education at the higher level (the number of students grew by almost 5 times in the years 1990-2005), the share of people with the highest qualifications in the population aged 15-64 is still low. Only almost 14% of Polish citizens have higher education, while in the EU-15 countries – around 20%. It should also be noted that the observed growth of the number of students was not accompanied by parallel and adequate growth of the number of academic personnel, which influences lowering the quality of academic education.

Only 5.5%, i.e. 1.1 million people aged 25-64 take part in education and trainings, which locates Poland among the EU-25 countries with the lowest level of participation in continuous education. People who are in an disadvantageous situation on the labour market, that is the unemployed, people with low qualifications and elderly people, participate in that kind of education to a very small extent.

## Health

The health status of Polish society is systematically improving. The number of deaths per 1,000 population decreased from 10.2 in 1990 to 9.7 in 2005, of which deaths of infants as much as from 19.3 to 6.4. As a result, average life expectancy increased. Men live longer by 4.3 years than 15 years ago, while women by 3.9 years.

The health status of the Poles is still worse than that of most of the EU inhabitants. Mortality in Poland was higher than the average in the countries in all age groups, with the exception of young women (aged 15-29). The worst is the situation of men aged 30-59 and children aged under 15, whose risk of death is 40% higher than that

*Health status of the Poles is worse than that of the EU inhabitants*



of their contemporaries in the EU countries. The main reason for the deaths of the Poles aged 25-64 are circulatory system diseases. Mortality level due to that diseases is 80% higher than the EU average. Women in Poland live 4-5 years shorter than the citizens of the EU-15 countries, while men 6-7 years.

#### 1.6. Public administration and the judiciary

##### *Weakness of public administration and the judiciary*

Polish public administration is still characterised by systemic weaknesses resulting from historical ballast, as well as lack of consistent reforms of its functioning. As a result, public administration presents a high turnover of personnel and lack of adequate motivational systems.

Similar problems are faced by the judiciary. Furthermore, a significant growth of cases heard in courts (from 3 million cases a year at the beginning of the 90's to 10 million at present) and the simultaneous lack of financial, technical and human resources, caused serious troubles of the judiciary, whose most serious manifestation is prolixity of proceedings.

##### *The number of civil servants is lower than in most of EU countries*

The number of civil servants in Poland is still much lower than in other EU states. In the widely understood public finance sector, the share of the employed in relation to the population of the country amounted to 4.2% (2004) and was one of the lowest in the EU (7% in the EU-10; 6.2% in the EU-15). According to Eurostat (2004), Poland with the indicator at the level of 19.3% in the creation of Gross Value Added belongs to the countries with a low share of non-market services (administration and defence, education, compulsory social insurance, health care and social work, other municipal and social services). Poland was located below average of the New Member States EU-10 (19.6%) and 3.4 percentage point below the EU-15 average (23%).

The negative image of Polish public administration in the society connected to corruption is its specific problem. In 2005, Poland had the 70<sup>th</sup> position out of 159 countries in the annual Transparency International ranking which orders countries according to a scale of corruption perception.

### 1.7. External and internal security

The acceptance of six new countries to the NATO in 2004 made the zone of stability around Poland bigger. Internal-political, social and ethnic tensions in some of European countries did not have any serious repercussions for the security of Poland. Cooperation with neighbouring countries was developing well, including cross-border cooperation. Poland is striving to have the best possible cooperation with Belarus. The dialogue of the European Union with the countries of former Yugoslavia causes elimination of the effects of the recent tensions in the Balkans. Despite the various threats for the geo-political stability, the direction of changes in the European security environment is positive. A positive role is played by the inclusion of the states from outside of the Treaty to the activities and cooperation with the NATO.

In 2005, Poland continued the policy of active engagement in maintaining international peace and security both on the regional and global scale. The expression of the engagement is the process of stabilisation in Iraq and Afghanistan and the participation of the Polish army in peace missions around the world.

The most serious threat among the new dangers for the international system and security of particular countries, including Poland, is posed by terrorism and international organised crime, both because of the character of the activities (smuggling of arms, dangerous substances and people, drug trafficking), as well as the method of acting (corruption, money laundering, destabilisation of the financial and teleinformation system).

*The threat of terrorism and crime*

Migration from poor and less developed countries is becoming a greater and greater challenge for Poland. The problem has become especially important since our eastern border became the outer border of the EU. Thus, our country must play a greater role in activities aimed against trans-border crime, smuggling, in the sphere of migration movements and refugees from conflict regions. The location of the European Agency for the Management of Operational Cooperation on the External Borders of the Member States of the European Union is important in this context.

In 2005, the social perception of security of the citizens was growing on the scale of the country. Around 46% of the interviewed (by CBOS in 2005) considered Poland to be a country where life is safe. The scale of threats to public order and public safety in Poland does not diverge from the situation in other EU Member States. The number of offences in 2004 stayed at a level similar to that in 2003. 1,461,000 offences were recorded (a fall by 0.4% as compared to 2003 r.), of which 1,085 criminal offences (fall by 1.4%). The general crime detection rate increased by 55.2% in 2003 to 56.2% in 2004. However, the criminal offence detection rate was 42.2% (growth by 0.9 percentage point). The growth of juvenile delinquency has been an alarming phenomenon. In 2004, there were recorded 70,100 illegal acts committed by juvenile perpetrators. It means an increase by 10.7% as compared to 2003. The number of offences from the scope of public safety and road safety is growing (179,500 in 2004), including driving under the influence of alcohol or other intoxicant (158,500 cases in 2004).

*46% of the Poles think that life in the country is safe*

Full implementation of the Act on emergency medical services and full accessibility of the 112 emergency number require urgent regulations.

### 1.8. Civil society

The building of civil society is under way. The development of non-governmental organisations engaged in social activities and social activity of citizens are lower than in the EU-15 though. There were almost 46,000 associations and 7210 foundations registered in Poland in 2004. Less than 1% of professionally active population were employed in them, while in the Netherlands the number is more than 14% and more than 10% in Belgium and Ireland.<sup>15</sup> Taking into consideration also other non-governmental organisations (Voluntary Fire Brigades, trade unions, churches and religious associations, parents' councils, hunting clubs, etc.), the Third Sector thus defined encompasses almost 109,000 registered entities.



#### *Low social activity of the citizens*

Low social activity is testified to by, among others, the rates of participation in selected forms of non-partisan political activities. According to surveys carried out in 2002, less than 10% of citizens (more than 16% in the EU-15) contacted a politician / official at the level of government or self-government, while about 7% (more than 23%) – signed a petition.<sup>16</sup> Decreasing participation of the Poles in public life is also manifested by the lowest, and still falling, turnout in parliamentary elections among the EU-25 countries. In the last decade, it did not exceed 50%, as compared to almost 70% of the EU-25 average.

Despite the functioning of appropriate legal regulations, the development of partnership and dialogue between public administration and non-governmental organisations faces problems connected to the lack of clear rules

<sup>15</sup> The Ministry of Labour and Social Policy ([www.mpips.gov.pl](http://www.mpips.gov.pl)).

<sup>16</sup> According to *Indeks społeczeństwa obywatelskiego w Polsce 2005*, Stowarzyszenie Klon/Jawor, Warsaw 2006, p. 35

and procedures, as well as hardly developed culture of such cooperation. However, one should pay attention to the fact that the development of the institutions of a civil society is a consequence of the development of the democratic system and establishing democratic procedures in the political and social system, and the processes have been lasting in Poland – as compared to the EU-15 countries – for a relatively short time.

#### 1.9. Rural areas, agriculture and fisheries

**Rural areas.** 38% of the population lives and works in rural areas. The level and quality of their life is much different than the one observed in the cities. One of the most import barriers for multi-functional development of rural areas is weakly developed technical infrastructure.

It concerns, among others, equipping villages in collective sewerage system (only 12.7% of villages have collective sewage system, while 85% – pipelines) and sewage treatment plants (at the end of 2004, there were in the villages about 2,400 collective sewage treatment plants of the total capacity of more than 1 million m<sup>3</sup>/day and about 28,800 individual village treatment plants).

Only about 20% of inhabitants of villages uses natural gas distributed via pipes. These are mainly customers located in the voivodships of western Poland and towns and villages near Warsaw, as well as part of the inhabitants of western Poland. Rural areas are characterised by particularly bad quality of the energy distribution network, often built as long ago as in the 50's and 60's, which results in the fact that a large proportion of it has been worn by use. Energy companies make no investments in this area because of low profitability of such undertakings. Moreover, as a result of the development processes taking place on the territory of Poland, the demand for electricity is still growing.

Many of the hardened roads in the country require modernisation and renovation, while the roads which lead to arable land and forests are mostly dirt roads which need hardening.

*Weakly  
developed rural  
infrastructure*



Only 19% of households in the country has access to the Internet, while 5% has broadband access to the Internet and only 19.45 telephone subscribers out of 100 (32.7 is the national average) live in villages.

Also the social infrastructure in rural areas shows symptoms of underinvestment and inadequacy to current needs. Insufficient development concerns cultural and tourist centres, as well as schools and health care institutions.

*Enhancing the  
development  
opportunities of  
children and  
teenagers*

The conditions of studying in the country are much worse than in cities, also the average level of teaching in villages is usually lower. Less advantageous educational opportunities for children from the country are the result of several barriers connected to the functioning of the educational system in the country, e.g.: limited access to kindergartens, frequently less educated teachers, less developed educational offer of secondary education and the material situation of village families. The choice of a secondary school depends on the school network in the nearest area, the possibility of accessing schools or living in a boarding school, the cost of commuting or staying outside family home.

The disproportion starts growing already at the stage of popularising pre-school education. In 2005, 55% of children aged 3-5 living in the cities were attending kindergartens, while for children living in the country the rate was only 17.5%.

Rural areas are characterised by a small number and weak organisation of market, financial and manufacturing institutions. Non agriculture - related development of rural areas is of crucial importance for the improvement of their functioning.

*Poland has one  
of the largest  
areas  
of arable land  
in the EU  
  
Low productivity  
of labour*

**Agriculture.** Arable land covered in 2005 15.9 million ha (50.9% of total area of Poland). Among the EU Member States only France, Spain and Germany have greater area of arable land. However, the forestation rate of our country is relatively low, but the area of forests has been systematically growing (from 8.7 million ha in 1990 to 9.2 million ha in 2005).

Generally speaking, Polish agriculture maintained its traditional character. It is characterised by high disintegration, infrastructure underinvestment and surplus of labour force. The average area of arable land per one agricultural farm is 7.6ha, while the EU average is estimated at more than twice as much. Agricultural



farms mostly carry out production in many areas, using extensive methods. Work efficiency in farming is less than 25% of the average efficiency in the national economy. Average consumption of mineral fertilisers (NPK) for crops in 2005 amounted to 102.4kg per 1ha (from 141.8kg NPK per 1ha of arable land in Opolskie Voivodship to 66.1kg in Podkarpackie Voivodship) and was much lower than in the EU-15. Also consumption of pesticides is several times lower than in the countries. Livestock production is of an extensive character and is based mainly on own feedstuff production of agricultural farms. Because of the relatively low intensity of production, agriculture does not exert a negative impact on natural environment, which, combined with the huge stock of labour force, creates favourable conditions for the development of organic farming.

Poland's accession to the EU and the Treaty obligations shall accelerate the structural changes in Polish agriculture and modernisation of agricultural processing.

**Fishing covers:** Baltic fishing, deep-sea fishing, inland fishing, fish-processing, and the fisheries products market. Polish coast is 528km long, and there are 59 harbours, seaports and towns and villages with the fishing port status. Sea areas amounts to 32,400km<sup>2</sup>, of which 8,600km<sup>2</sup> is accounted for by territorial sea. The Baltic fleet has 413 fishing vessels with the length of more than 15 meters and 857 vessels with the length of less than 15 meters. 985 vessels is fishing in the sea, while 280 vessels on inland waters.<sup>17</sup> The fishing fleet requires partial reduction, and partly needs modernisation in order to meet sanitary requirements connected to the safety of working in accordance with the EU regulations.

*Fishing fleet needs partial reduction and modernisation*

#### 1.10. Spatial aspects

Poland is characterised by one of the most advantageous – polycentric – settlement structure. It results, among others, from lack of domination of the capital city and relatively balanced distribution of cities on the territory of the country.

Whereas in terms of population structures and the distribution of the size of agglomerations, the system of Polish cities is characterised by stability, spatial changes in the scope of economic activities indicate some weakening of the cohesion of the system. The differences at the level of economic activity between metropolitan centres and areas and most of other cities are aggravating, which is most acutely reflected by the differentiation of the situation on local labour markets. Large centres show in this respect, apart from the dissimilarity of economic profiles, relatively small differences (the growth of the distance between Warsaw and other large cities, which has been manifested since mid-90's, may be the first stage of polarisation of the communities of the large centres). They are characterised by advantageous influence on the remaining areas located in the diameter of 40-50km. Small and medium cities located outside the sphere are influenced by processes of disappearance of economic functions, in particular the specialised ones, as a result of competition from companies located in the major centre or its immediate neighbourhood. The phenomenon is to a limited degree compensated by limited and selective absorption of labour force of small towns by the major centres. It covers mainly young and educated employees, in the form of commuting and periodical

*Polycentric settlement structure is advantageous*

<sup>17</sup> Dane Ministerstwa Gospodarki Morskiej.

migrations. The growth of economic disparities (income level, unemployment rate) is a consequence of the processes not only on the inter-regional scale, but also within particular voivodships.

*Infrastructure shortages in metropolitan areas*

There may be differentiated in Poland 9 metropolitan areas, i.e. large cities, which together with the surrounding highly developed and quickly developing gminas are inhabited by the total of at least 500,000 people. Metropolitan areas are the major centres of research, innovations and creation of new jobs. They concentrate industries with high added value, in particular services for enterprises. On the other hand, lack of sufficient infrastructure, in particular transport infrastructure, modern educational infrastructure, cultural infrastructure, health care institutions, sports infrastructure, as well as congress and exhibition infrastructure, is a barrier for the development of the areas.

## 2. Regional level

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### 2.1. Differentiation between regions

*Mazowieckie Voivodship with the highest development level in Poland is merely close to poor European regions*

The socio-economic development of the country reveals huge regional differentiation. The ratio of the highest to the lowest value of GDP per capita among the 45 subregions (NTS 3) in 2003 was 4.9:1 (that is the relation between the subregion of Warsaw and the subregion of Nowy Sącz). Taking into account the NTS2 level, the highest development level measured by the indicator of GDP per capita in 2003 reached Mazowieckie Voivodship (155% of country's average). Its leading position is owed to Warsaw, which produced in 2003 13.1% of the global GDP, and almost 3 times more per capita (297%) than the Polish average. It is estimated that – after excluding the capital city – GDP per capita of the remaining part of Mazowieckie Voivodship would amount to about 85%, while in the case of the rest of Poland – about 90% of the country's average. GDP per capita of Mazowieckie Voivodship amounted to 72.8% of the EU-25 average and was close to the level of poor regions of European countries – e.g. some territories of Eastern Germany or Southern Italy. Also the following voivodships are characterised by a high level of development: Śląskie (109% of Polish average), Wielkopolskie (104.9%) and Dolnośląskie (102.5%). The area with the lowest GDP per capita covers five voivodships located in north-eastern and south-eastern part of the country: Lubelskie (70.6% of country's average), Podkarpackie (70.8%), Podlaskie (75.9%), Świętokrzyskie (78.1%) and Warmińsko-mazurskie (78.8%). Low GDP per capita is also recorded in Opolskie Voivodship (79.4%). GDP per capita of the economically weakest voivodships constitutes 33-37% of the average of the EU-25 countries. The level of their economic development was significantly lower than the level observed in the poorest regions of Greece, Portugal and Spain at the moment of the countries' accession to the EU.

### 2.2. Border areas

The areas located along the borders and covered with programmes of trans-border cooperation constitute (taking into account level NTS3) about half of the area of the country, and population in the territories is more than one third of the population of Poland. A large proportion of the eastern border is at the same time external border of the EU.

Despite the high differentiation in terms of economic and social development level, the areas are connected with common problems. The value of GDP per capita of the mostly border subregions is much lower than the country's average, and the unemployment rate is higher (at the end of 2005, the highest occurred in the subregion of Elk – 33.3%). Also the scale of unfavourable demographic phenomena (like the fall of population, society's ageing, negative migration balance), observed on the border areas, is higher than in other regions of the country.

*In many border subregions unemployment rate is much higher than the national average*

Poland's accession to the EU resulted in the fact that the border became a factor providing development opportunities. It is determined by: differentiation of the level of border areas on internal and external borders of the EU, growth of the economic attractiveness of the regions, needs connected to warehousing, freight, serving goods and passenger traffic, in particular on the eastern border of Poland, and others.

*To make use of cross-border cooperation*

### 2.3. Degraded areas

The total are of degraded areas exceeds 8,000km<sup>2</sup>, of which industrial degradation covered (according to estimated values): to a very high and high degree – more than 1,400km<sup>2</sup> (0.4% of the country's area), to a medium and low degree – almost 7,000km<sup>2</sup> (2.2% of the country's area). Whereas the area of areas endangered with industrial degradation is estimated at 39,500km<sup>2</sup>. It is worth noting, though, that the area of devastated and degraded land requiring recultivation has been gradually diminishing since 1990 (from about 94,000ha in 1990 to about 65,000ha in 2005).

In Poland, just like in other European and OECD countries, there is the problem of "abandoned" areas with a history of economic activity, including industrial areas. One of the ways of managing neglected areas, marginal and degraded land, is their afforestation in accordance to the "National programme for increasing forestation."

*The problem of "abandoned" industrial areas*

Many districts of cities, or even whole cities in Poland – because of the loss of the hitherto administrative, economic and cultural functions and migration trends – is endangered with social and economic degradation. The problem concerns many medium and small cities, located in particular in the north, west and south-west of the country (but also in other areas). Lack of endogenous growth factors – in connection to small interest in investing in the areas, because of high costs of modernisation of the infrastructure and low purchasing power of the population – leads to excessive differentiation of the material status and social pathologies.

Management of buildings left by the army as a result of the process of restructuring of the armed forces and areas occupied in the past by the army of the former USSR is a separate problem. These are both complexes of buildings, to which belong barracks, hospitals, warehouses and separate buildings of military nature – airports, seaports, warehouses, military bases. Despite the passage of time (the army of the former USSR left Poland in 1991) the problem of integration of the areas and their utilisation has not been solved yet, which is manifested in particular in north-western and south-western Poland. In the case of buildings and areas handed by the Polish army for utilisation for civil purposes (their number and area exceed those of the post-soviet properties), the problem is important at the scale of the whole country.

*The problem of areas handed by the Polish army for civil purposes and areas where the army of the former USSR was garrisoned needs to be solved*

### 3. The institutional and regulatory system

*The functioning of a regulation in practice is as important as the regulation it self*

The regulatory order is not limited to the state of the existing law (*de jure* situation). The method of implementing and functioning of a regulation in practice is as important as the very regulations and institutions. Furthermore, regulations of associations, professional unions, etc. have some impact on the functioning of the market.

The following three spheres, connected to government policy and implementation of public functions are most important for proper functioning of the market: regulatory quality, rule of law and government effectiveness.

Comparison of the spheres and their changes over the last 10 years and comparison of the situation in Poland with other countries are represented by the results of the surveys carried out by the World Bank.

Table 2. Evaluation of the areas of public policy and institutional efficiency in Poland from 1996 to 2004

area/year	1996	2000	2004
Government Effectiveness	0.63	0.38	0.47
Regulatory Quality	0.45	0.62	0.64
Rule of Law	0.46	0.62	0.51

Source: Kaufmann, Daniel, Kraay, Aart i Mastruzzi, Massimo, "Governance Matters IV: "Governance Indicators for 1996-2004" (May 2005), World Bank

Notes:

1. Range of estimates: from -2,5 to +2,5 (the higher estimate the better).
2. The estimates have been calculated by the authors of the report on the basis of several hundred variables elicited from 37 sources (databases) created by 31 different organisations. They are mainly based on subjective evaluations and perception of phenomena.
3. Estimation of government effectiveness aggregates such criteria as: quality of public services, quality of administration, effectiveness of public services, infrastructure, independence of civil service, etc. Regulatory quality is based on such categories as: barriers in running companies, liberalisation of prices, policy of competitiveness, predictability of regulatory changes, etc. Rule of law is determined by such categories as: independence of courts, black market, property rights protection, enforceability of contracts, etc.

*Governance efficiency has deteriorated*

In the period from 1996 there was no fundamental improvement in the quoted areas, the situation even worsened in the case of government effectiveness. The progress in the field of regulatory quality and rule of law was not very clear. Estimation of the three areas of public policy is still low.

The EU countries differ in the respect of functioning of the three basic public policy areas. Against that background, the situation of Poland is much more difficult than that of other countries (compare table 3).

**Table 3.** Evaluation of the areas of public policy and institutional efficiency in Poland against the background of selected EU countries (as of 2004)

	Government Effectiveness	Regulatory Quality	Rule of Law
Poland	0.47	0.64	0.51
Latvia	0.60	1.02	0.48
Czech Republic	0.63	0.97	0.69
Slovakia	0.67	1.15	0.49
Hungary	0.68	1.22	0.85
Greece	0.74	0.85	0.75
Spain	1.29	1.13	1.12
Germany	1.38	1.29	1.66
United Kingdom	1.85	1.62	1.71
Denmark	2.15	1.76	1.91

Source and notes as in table 2.



Keeping in mind that there was taking place a perceptible process of narrowing of development differences in the analysed period of 1996-2004 (new EU Member States were developing quite quickly), the efficiency of public and institutional policy is not directly dependent on the dynamics of economic growth. Economic growth did not entail a fundamental change in this scope. Secondly, especially in the scope of government effectiveness and rule of law, Poland significantly diverges from the remaining EU countries. The spheres are indispensable for efficient functioning of market exchange. It should be noted that regulatory quality and government effectiveness are the lowest in Poland among all EU Member States, while the evaluation of the rule of law is one of the lowest. The quality of public policy influences the basic factors of economic development. The development is made difficult by administrative costs incurred by enterprises, estimated in Poland at 4.4% of GDP.

Efficient institutional-regulatory system significantly conditions the development of entrepreneurship. According to the surveys of The World Bank Group, fulfilling formalities connected to commencement of economic activity in Poland in 2005 took 31 days on average (10 procedures on average). The situation was worse only in the case of Greece – 38 days and 15 procedures, Slovakia – 54 days and 11 procedures, Spain – 47 days and 10 procedures and Czech Republic – 40 days and 10 procedures.

*Regulatory quality and government effectiveness are the lowest in Poland among all EU Member States*

*Poland occupies the 54<sup>th</sup> position in terms of facility of performing economic activity*

W 2005, Poland occupied the 54<sup>th</sup> position (out of 145 evaluated countries) in terms of ease of performing economic activity. In terms of procedures connected to winding up a company, protection of investors, or flexibility of employment, Poland's position is better than that of many European countries. The World Bank estimates that despite the proceeding from year to year improvement of the conditions of performing economic activity, further reforms are necessary related in particular to the tax system, including lowering costs of labour, enforcing contracts and obtaining permits, licences and concessions.

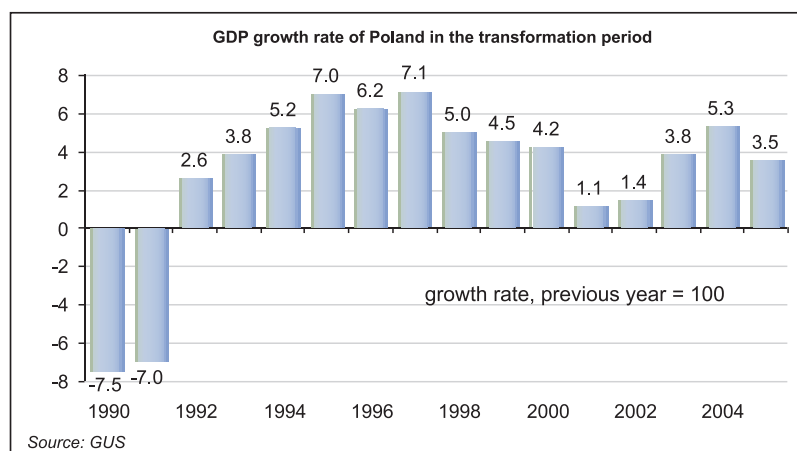
In view of the foregoing, the vision of the country's development until 2015 requires considerable improvement in the sphere of public policy. The vision of a country, where a significant role is to be played by knowledge and innovations, makes regulatory order gain even more importance. In economy based on knowledge, efficiency of widely understood public policy is even more important than in traditional industrial economy.

#### 4. Narrowing the development gap between Poland and the European Union

Poland's entering in 1989 the route of democratic and market transformations revealed the scale of development gap in relation to the EU Member States and other countries of the western world. The imperative of accelerating economic growth and raising the standard of living of the population, and consequently diminishing the civilisation distance of Poland towards developed countries became evident.

*Already in 1995 Poland made up for the fall of GDP*

In comparison to other countries of our region, Poland made up for the fall of GDP, which occurred in the first years after the transformation, relatively quickly, that is already in 1995. Hungary, Slovakia and Czech Republic exceeded the level of GDP of 1989 only in 2000. The highest GDP growth rate was reached by Polish economy in the years 1995-1997, and more recently – in 2004.



A significant progress made by Poland in the transformation period can be observed. In 1991, GDP per capita in Poland was estimated at 28% of the average GDP of the Community (acc. to purchasing power parity of currencies), in 1995 already 37% of the average GDP of the EU-15, and in 2005 50% of the average level of the EU-25 amounting to 23,500 EUR (in the EU-15 – 25,400 EUR). From

this point of view, Poland was occupying the penultimate position among the EU countries (before Latvia). It should also be noted that the share of Central European Countries (EU-8) in the value of the total GDP of the EU-25 amounted in 2005 to only 5%, of which less than half was accounted for by Poland.

The relatively good position of Poland against the background of other countries is characterised by the Human Development Index, which was estimated at 0.858 in 2003, while it is especially influenced by the level of education. Although only a few of the EU-25 countries have a worse indicator than Poland, the distance towards such EU-25 countries as Portugal, Greece or Spain is not so great.

In the period under discussion, the GDP growth rate in the EU-15 countries was increasing from a relatively low level on average 1.5% a year in the years 1991-1995 to 2.8% on average in the years 1996-2000 (the highest rate of 3.9% was achieved in 2000), and then decreased to 1.1% in the years 2002-2003.

Tabela 4. GDP growth rate in the EU countries

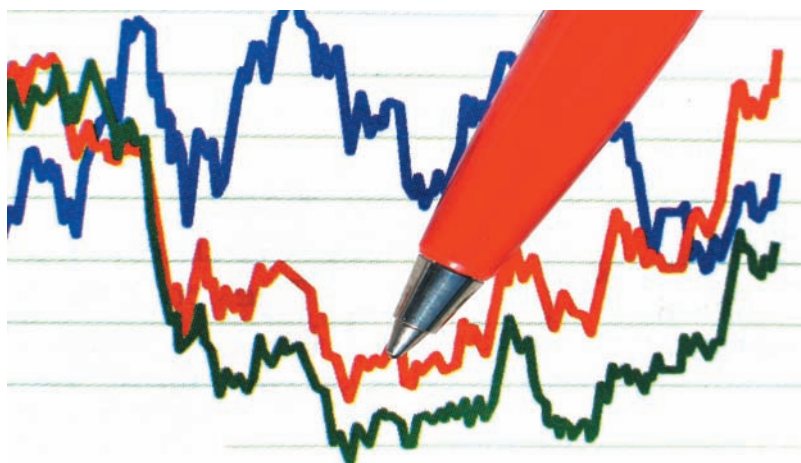
Country	2004	2005	2006 – projections
EU-25	2.3	1.7	2.3
EU-15	2.2	1.5	2.2
Eurozone	1.9	1.4	2.1
Poland	5.3	3.5	5.2

Source: Eurostat, October 2006 and – in the case of Poland – CSO (2005) and 2007 Budget Act – justification, Council of Ministers, September 2006 (2006).

It should be noted that the economy of the European Union has still not achieved the level of development of the economy of the USA. In 2005, GDP per capita in the EU-15 amounted to 73% of the level achieved in the USA. According to the research of the European Commission, full implementation of the reforms planned in the EU may contribute to the acceleration of GDP growth rate in the EU by 1 percentage point.

To narrow the existing development gap of Poland towards the EU it is necessary to ensure such a GDP growth rate in Poland, which will be significantly ahead of the pace of growth in other EU countries. This purpose will be served by the present Strategy, taking into account the important role of Poland's integration with the EU in the process.

*Good Human  
Development  
Index*



*To diminish the development gap to the EU we need to increase the growth rate*

The following simulations present the likelihood of Poland's achieving the average level of GDP per capita of the EU-25 countries. If the EU-25 countries developed at a pace equalling on average the rate noted in the years 2001-2005 (i.e. 1.7%), Poland would reach the average level of GDP per capita of those countries in more than twenty years, as long as it were developing at the average rate of 5% a year. At such a rate, Poland would catch up first – in 2014 – with Portugal.

Such development of Poland and the EU-25 would allow reaching 75% of the EU average before 2020, which – according to the present rules – would, in turn, limit the possibility of using EU funds (the level would be reached by Poland still earlier considering that the EU average will be lowered by the expansion in 2007 with Romania and Bulgaria). What is more, the growth of GDP per capita in Poland will be slightly higher than the projected total GDP growth, because of the envisaged fall in the population with the growth of EU-15 population.<sup>18</sup> It means a likelihood of faster achieving the EU average GDP.

The following table presents variants of reaching the level of average EU GDP per capita.

Tabela 5. Scenarios of achieving economic growth by Poland

Specification	Average growth rate GDP in %	GDP per capita in PPS in EUR	Hypothetical GDP growth rate in Poland, assuming the average rate from the years 2000-05 for the EU			
			3.5%	5%	6.5%	8%
	2000-2005	in 2005 r.	Year of achieving by Poland GDP per capita			
UE-25	2.0	23500	2045	2027	2020	2017
UE-15	1.9	25400	2046	2029	2021	2018
Eurozone (12)	1.8	27600	2047	2030	2023	2018

Source: Dane Eurostat, obliczenia MRR.

However, if we assume that:

- the average GDP growth rate in Poland in the years 2006-2008 amounted to 4.9% (in accordance with the justification of the 2007 Budget Act), and 2.3% in the EU (which results from the Convergence Programme updated in January 2006), while
- in the next years they reached the levels of 5% and 2.5% respectively,

Poland would exceed 75% of the average GDP per capita of the EU-25 in 2022, while reaching of the EU average would take place in 2034. But also here demographic processes should be taken into consideration.

*Scenarios for making up for the gap*

The scenarios for making up for the gap by the countries of the recent expansion were also prepared by the European Commission.<sup>19</sup> According to the first scenario, if the growth in all “new” EU countries reached in the future the level of 1.5 percentage point above the value of the rest of the EU (e.g. 4% a year – with the growth rate amounting to 2.5% a year in the EU-15), Poland would achieve 75% of the average GDP per capita of the EU-27 (i.e. with Romania and Bulgaria) in 2035, that is in the period of almost thirty years.

<sup>18</sup> According to the demographic projection of the GUS, the population of Poland will diminish from 38.2 million in 2002 to 37.9 million in 2010 and 36.6 million in 2025. In the EU-15 countries, population will grow from 384.5 million in 2005 to 398.8 million in 2025, mainly as a result of the inflow of immigrants, while its number will be falling. In the EU-25 countries, population will be growing from 458.5 million to 470.1 million respectively, and in the next periods it will be falling.

<sup>19</sup> A new partnership for cohesion: convergence, competitiveness, cooperation – the third report on economic and social cohesion. European Commission, February 2004.

In the case of the second scenario, if the growth stayed at a much higher level, i.e. 2.5 percentage point above the EU average for the EU-15 (here, more than 5% a year was assumed – with the growth rate of the EU-15 equalling 2.5%) – achieving the level of 75% of the EU average of GDP per capita would take twenty years. At the same time, the number of regions in accessing countries which would require structural aid (because of GDP per capita level amounting to less than 75% of the EU average) would decrease.

Mobilisation of internal growth factors forces also a quick development of new EU members. It may be alarming that, from among the EU-8 countries, the economic growth rate of Poland was the lowest in the years 2000-2005.

The analyses confirm that diminishing the development discrepancies in comparison to the EU will be a processes taking many years and one that will depend on in particular on maintaining a permanent and high dynamics of economic growth in our country. It is envisaged that effective implementation of the Strategy shall ensure Poland's reaching the level of development of the poorer EU-15 Member States, while the EU average GDP per capita in the 2020's. It will require the making the best use of the advantages and development opportunities of Polish economy, including those resulting from European integration and the EU cohesion policy, and at the same time overcoming the structural and systemic threats and weaknesses.

*Around 2015 we  
shall reach the  
level of the  
poorer  
EU-15 countries*



## PRINCIPLES OF THE STATE REGIONAL POLICY

State regional policy should be carried out in accordance with clearly determined principles organising its course, starting from establishing the objectives and priorities, through its implementation and monitoring to assessment of the results. State regional policy is one of the most important instruments of government economic policy, which combines and coordinates a series of state's sectoral activities with measures implemented at the regional level. It should aim at introduction of structural changes in the economy, economic modernisation and improvement of competitiveness in all Polish voivodships. It is also an important aim of the policy to build internal potential of regions to ensure the possibility of their development in the long run. Furthermore, state regional policy must support equalling development opportunities in problematic regions, which would be destined to gradual marginalisation and permanent limitation of available development opportunities without such support. The support should be oriented also on stimulating social activity and improvement of the efficiency of the functioning of public administration.

*State regional policy is one of the most important instruments of economic policy*

State regional policy supports in the first place those directions of development, which are important for long-term development of the whole country. At the same time it supports the development policy implemented by voivodship self-governments – as long as it is important from the point of view of the whole country or constitutes a priority development direction for a given voivodship, ensuring solution of key development problems and improving economical competitiveness of a given region.

*State regional policy supports the voivodship policies*

Thus, state regional policy is an important field of cooperation between government administration and territorial self-governments, in particular voivodship self-governments. It should also create proper conditions for wider cooperation between Polish regions.

Implementation of the state regional policy should be subject to the following principles resulting from the requirements of Polish legislation, with the observance of the principles of social and economic cohesion policy of the EU:

### Subsidiarity principle of regional development

It means that state regional policy is of subsidiary and ancillary character towards actions taken by voivodship self-governments. Therefore, regional policy measures should support and cooperate with regional policies of voivodship self-governments, rather than substitute or duplicate the policies

### Principle of equal opportunities

From the point of view of regional development of the country, it is important to strengthen the territorial system with strong internal cooperative connections, aiming at greater spatial, economic and social cohesion. Regional development

of the country in this respect means development of all voivodships, regardless of their economic competitiveness level, development problems and spatial specificity. It means that none of the regions may be excluded from development processes.

#### Principle of supporting endogenous development of voivodships

State regional policy measures should be aimed at inciting the endogenous potential of voivodships. It means the need to build in the first place competitive power based on internal growth factors, overcoming structural economic and social problems of voivodships, supporting innovativeness and social potential, stimulating the activity of efficiency of functioning of public administration in voivodships. State regional policy should thus be based on internal growth factors, rather than only on external redistribution of income.



#### Principle of initiating long-term regional development

*Long-term  
operational  
programmes and  
investment plans  
are needed*

The aim of state regional policy is to initiate permanent development processes in regions. It means adoption of a long-term programming, voivodship development strategy and basing policies on such a strategy as a principle. Furthermore, actions aimed at regional development should be based on long-term operational programmes and investment plans. What is more, long-term development of regions should be based on utilising internal resources of voivodships, assessment of the development opportunities and barriers of the voivodships and engagement of local political, social and economic elites. It should also introduce legal institutions and procedures of acting which would counteract hasty treatment of the instruments of regional policy, with the view

of particular group or party interests, or short-term electoral interests.

### Principle of coordination of the instruments of regional policy and other public development policies

What is necessary for effective and harmonious development of the country in the long run is multilayer, intersectoral acting oriented at deep structural changes, consistently implemented over many years. It is the basic condition for the efficiency of state regional policy to ensure coordination of measures aimed at regional development between various entities of public authorities. Simultaneously, state regional policy requires close relation to sectoral and horizontal activities of the government with the state regional policy. What is also of great importance is linking measures in favour of regional development between particular levels of territorial self-governments, coordination of measures between various voivodships, as well as between administration bodies, business environment institutions, non-government organisations and private enterprises. Also the instruments of European and national regional development policy need coordination.

*Coordination of regional development policy of the country*

### Principle of concentration on priorities of regional development

State regional policy should aim at maximisation of synergic effects between developmental activities undertaken by various entities of public authorities in voivodships. It should focus the capital of territorial self-government entities, private investors and state budget resources and coordinate various public policies on the high priority regional development problems. An important factor of that concentration is ensuring proper coordination of public policies of various levels, ensuring coherence of regional development strategies and spatial development plans, as well as the introduction of procedures of better planning of spatial development between various levels of public authorities.

*Focusing on high priority problems*

### Principle of effectiveness and the highest quality of regional policy

State regional policy should be governed by the principle of aiming at maximum effectiveness of operations and rational utilisation of public resources. It means constant striving towards increasing the absorption capabilities of voivodships, improving and simplifying procedures and structures of public administration, enhancing professionalism and competences of officials. Realisation of the principle leads also to the improvement of anti-corruption standards and transparency of public administration, efficient introduction of the standards of civil service to self-government administration, preparation of systems of incentives and motivations, rationalisation of expenditures, structures and employment in territorial administration. Adequate attitude to planning of regional development is an important factor ensuring the quality of state regional policy. It means optimal choice of directions of regional policy in relation to specific conditions in a given voivodships, bringing maximum favourable developmental effect for a given region.

*Effectiveness of acting and utilisation of public resources*



## CHARACTERISTICS OF VOIVODSHIPS



## 1. Dolnośląskie voivodship

Dolnośląskie Voivodship is located on the south-eastern part of Poland. To the west it borders on Germany and across the Sudety Mountains with the Czech Republic. Such location, in combination with the relatively well-developed transport infrastructure (e.g. the 3<sup>rd</sup> European Transport Corridor joining Germany with Ukraine), determines in a positive way the state and development opportunities of the region. In terms of area, Dolnośląskie is a medium-size voivodship (19,948km<sup>2</sup>). It is characterised by quite high population potential. It is inhabited by almost 2.9 million people, which amounts to 7.6% of the total population (5<sup>th</sup> place in the country) with population density of 145 persons per km<sup>2</sup>, which is a value higher than the national average.

*Favourable  
location and  
good transport  
infrastructure*

Lower Silesia is characterised by a high level of urbanisation. 71% of population lives in 90 cities. It gives the region a second position in Poland (only Śląskie Voivodship has a higher urbanisation rate). The urban network in the region is well-developed (especially in comparison to other voivodships). The capital city of the region, Wrocław (636,000 population), is a well-developed industrial, academic, scientific and cultural centre. Apart from Wrocław, there are many

*High urbanisation  
level, dynamics of  
GDP growth  
higher than the  
national average*

cities with considerable economic potential in the region: Wałbrzych (128,000 population), Legnica (106,000), Jelenia Góra (88,000).

In terms of GDP per capita, the region reaches values higher than the national average (GDP per capita of the region constitutes 102.9% of GDP per capita of Poland). What is more, in the period of 1999-2003, the dynamics of the growth of GDP per capita in the voivodship was higher than in the country (growth by 0.6 percentage point as compared to the national average). The regional structure of gross value added (GVA) is characterised by a high share of services: market (47.7%) and non-market (16.6%). 34% of the share of industry and construction in the regional GVA is higher than the national average (by 11%), which gives Lower Silesia the 3<sup>rd</sup> position in the country (improvement by 5 positions since 1999). The share of agriculture is small - 2.1% and it amounts to 72.4% of national average, placing Dolnośląskie on 14<sup>th</sup> position.

*Investment expenditures per capita exceed the national average*

Investment expenditures in the region amount to 3,600 per capita and are higher than the national average (they make up 114% of the average). In this respect the region comes third in the country (yet a drop by one place was observed in comparison to 1999). Despite the high rank of Wrocław among the academic centres of the country, the region may not pride itself on high expenditures on research and development. Calculated per capita they constitute 74.1% of the national average, which makes the region come sixth in the country (a drop by two positions as compared to 1999).

The relatively high modernity of the economy of the region may be testified to by the number of automated industrial lines which is higher than the average for all voivodships (2.72 per 10,000 population - number 7 in the country, the same position as in 1999). The number of commercial law companies distinguishes the region positively. There is 6.2 of them per 1,000 population (108.3 of the national average). In this respect the region came 3<sup>rd</sup> in 2004 (as compared to 5<sup>th</sup> in 1999).

*Unemployment rate is higher than the national average*

The situation on the labour market is a serious problem. The rate of registered unemployment was 22.4% in December 2004 and was higher than the national average. The situation was worse in the voivodship than in the whole Poland also in terms of the number of the employed persons per 1,000 population. The professional activity rate amounts to 53.5% (97.8% of the national average), whereas the values of the economic burden rate in the region are lower than on average in Poland (53.6 persons in non-working age per 100 persons in working age - which is the best result among all voivodships).

Apart from unemployment, the state of natural environment is a serious problem. The particularly endangered areas are: "the Turoszowski Sack," "the Black Sudety Triangle," the region of Legnica and Głogów and the region of Wałbrzych and Nowa Ruda.

The above-mentioned good transport infrastructure ensures efficient communication along the east-west axis, whereas the lack of convenient road connection (and railroad) of Wrocław with Łódź and then Warsaw is a serious problem.

*Numerous foreign investments*

Numerous foreign investments (e.g. Cargill, Volvo, Toyota) are an opportunity for Lower Silesia. Foreign investments are focused around Wrocław (e.g. gmina Kobierzyce) and in Special Economic Areas (Legnica, Kamiennagóra, Wałbrzych).

Lignite mining (Bogatynia) and copper mining (Lubin-Głogów Copper Basin) are developed in the region. Rich deposits of the raw materials are exploited and processed by the biggest companies in the region - KGHM Polska Miedź S.A. and the mine and power plant in Turów.

Lower Silesia is a region attractive for tourists. Apart from the monuments of material culture (historic urban complexes, castles and palaces), the Sudety Mountains are a tourist attraction, in particular the National Park of the Karkonosze Mountains and the National Park of the Stołowe Mountains. Numerous health resorts also attract visitors (Kudowa Zdrój, Polanica Zdrój, Duszniki Zdrój, etc.).

*Region attractive  
for tourists*

Table 1. General characteristics of the voivodship (2004)

Dolnośląskie	2004 r.			1999-2004	
	Value	Poland =100	Position	Change in percentage points in relation to the national average	Change of position
Area in km <sup>2</sup>	19948	6.4	7	x	x
Population in thousands	2893.1	7.6	5	0	0
Population density (pop per km <sup>2</sup> )	145	118.9	3	-1.9	0
Urbanisation rate (proportion of population living in urban areas) in %	71	115.4	2	-0.5	0
GDP per capita in PLN*	21986	102.9	4	0.6	0
Gross Value Added* in:					
- agriculture in %	2.1	72.4	13	4.1	1
- industry and construction in %	33.6	111.3	3	8.6	5
- market services in %	47.7	94.6	8	-4.5	-4
- non-market services in %	16.6	101.2	12	-4.8	-1
Investment expenditures per capita in PLN	3597	114.0	3	3.4	-1
Expenditures on R&D activities per capita in PLN	100	74.2	6	-5.9	-2
Automated industrial lines per 10,000 population	2.72	106.2	7	1.7	0
Commercial law companies per 1,000 population	6.2	108.3	3	1.7	2
Employed persons per 1,000 population**	303	93.0	11	4.4	1
Professional activity rate *** in %	53.5	97.8	12	0.5	2
Economic burden rate (non-working age population per 100 working age population)****	53.6	93.2	16	-0.7	-2
Registered unemployment rate (as of Dec.)****	22.4	118	5	-4.2	0
Average monthly gross wages and salaries in PLN	2220	97.6	4	1.8	-1
Area of legally protected areas in %	18.1	55.7	15	-6.2	0

\* in 2003

\*\* changes in the methodology of calculating the number of people employed in agriculture since 2002 were disregarded

\*\*\* changes in the years 2001-2004

\*\*\*\* the higher the position the worse the standing of the voivodship (negative phenomena indicator)

Source: CSO

## 2. Kujawsko-pomorskie voivodship

Kujawsko-pomorskie Voivodship is located in the mid-northern part of the country, in the valley of the Vistula River and an important inland waterway goes through the voivodship joining the river basins of Vistula and Oder. Waterways include Vistula, Noteć, Bydgoski and Notecki Canals. The northern part of the voivodship is characterised by a vastness of areas with high natural values (forests, lakeland), while the southern part (Cuiavia, Pałuki) with lakes is at the same time – as a result of developed agriculture – almost devoid of forests. That duality of the region results in the fact that it comes precisely in the national average in terms of protected areas (32.4% of the territory). It belongs to voivodships of average size (17.970km<sup>2</sup>) and just as average population (2.1 million, that is 5.4% of the total population of the country). Population density, which amounts to 115 persons per km<sup>2</sup> is slightly lower than the national average. The function of capital city is fulfilled by Bydgoszcz (the seat of the voivod). Toruń, in turn, is the self-government capital of the region (the seat of self-government authorities). Bydgoszcz is both the largest and the most populous city of the voivodship (area of more than 174km<sup>2</sup> and 368.000 population), Toruń comes second in terms of these features (115.75km<sup>2</sup> and 208.000). Both Toruń and Bydgoszcz are academic centres. The Nicolaus Copernicus University in Toruń and the Kazimierz Wielki University, the Technical and Agricultural Academy and the Musical Academy in

*Good location,  
natural values,  
historic buildings*

*Region with an  
extensive,  
modern  
agricultural  
sector*

Bydgoszcz are universities with high prestige. Toruń is a renown tourist centre, while Bydgoszcz has considerable industrial tradition. At the same time, the voivodship has an extensive agricultural sector (more modern than the national average). More than 96% of arable land belongs to private entrepreneurs. There is an airport offering, apart from domestic, also international flights.



*In terms of the level of investment expenditures per capita – 13<sup>th</sup> position in the country*

The income in the voivodship (GDP) per capita does not belong to the high ones (89.7% of the national average), but it has been systematically improving (it grew by 35.7% in the period of 1999-2003). It results from the changes in the economic structure of the region, where the relatively quickly developing market services are dominant (47.8% of GAV) and the industry and construction losing importance (31%), as well as non-market services (17.4%). The clear, quite fast growth of GAV in agriculture (by 41.4%) should be noticed, though its role in creating the income of the voivodship is small (4.1%). The voivodship is averagely industrialised, that is also its position in terms of modernity of the industry (11<sup>th</sup> position in terms of process automation in manufacturing). The region takes a distant, 13<sup>th</sup> position in terms of investment expenditures per capita (71.4% of the average) and the distance to the leaders is gradually growing. R&D expenditures look better (9<sup>th</sup> place in the country), but also here, despite the improvement of the position, a fall of the amount of expenditures can be perceived (-4.8%).

Both in terms of saturation with commercial law companies, and the number of employed persons per 1,000 population, the voivodship occupies the 9<sup>th</sup> place in the country, whereas according to the available data, the professional activity ratio is just the same. The economic burden rate is close to the average (9<sup>th</sup> position in the country). Kujawsko-pomorskie Voivodship has one of the highest unemployment rates in the country (23.6 in December 2004). Average monthly gross wage and salary amounted to 1,988 PLN, which makes the voivodship come 13<sup>th</sup> in the country.

*Opportunities for the development of tourism*

Both the possessed resources of material culture and the attractive natural environment create opportunities for the development of tourism, also in the international dimension. What is particularly attractive in this respect is the northern part of the voivodship where the Bory Tucholskie Forests are located (among others, the Tucholski National Park). There are three health resorts well-known in the country: in Ciechocinek, Inowrocław and Wieniec Zdrój.

Table 2. General characteristics of the voivodship (2004)

Kujawsko-pomorskie	2004 r.			1999-2004	
	Value	Poland =100	Position	Change in percentage points in relation to the national average	Change of position
Area in km <sup>2</sup>	17970	5.8	10	x	x
Population in thousands	2068.3	5.4	10	0	0
Population density (pop per km <sup>2</sup> )	115	94.3	8	-0.3	0
Urbanisation rate (proportion of population living in urban areas) in %	61.7	100.3	8	-0.5	0
GDP per capita in PLN*	19169	89.7	8	1.0	2
Gross Value Added* in:					
- agriculture in %	4.1	141.4	7	41.4	4
- industry and construction in %	30.7	102.0	7	-4.8	-1
- market services in %	47.8	95.0	5	1.5	6
- non-market services in %	17.4	106.1	10	-2.2	-2
Investment expenditures per capita in PLN	2254	71.4	13	2.7	-2
Expenditures on R&D activities per capita in PLN	58	43.1	9	-4.8	2
Automated industrial lines per 10,000 population	2.24	87.4	11	-10.3	-3
Commercial law companies per 1,000 population	4.3	75.0	9	-0.9	0
Employed persons per 1,000 population**	310	95.2	9	4.2	1
Professional activity rate *** in %	56.3	102.9	4	2.0	2
Economic burden rate (non-working age population per 100 working age population)****	56.8	98.9	9	-0.2	1
Registered unemployment rate (as of Dec.)****	23.6	124	4	-4.8	0
Average monthly gross wages and salaries in PLN	1988	87.4	13	-1.7	-3
Area of legally protected areas in %	32.4	99.5	7	4.0	2

\* in 2003

\*\* changes in the methodology of calculating the number of people employed in agriculture since 2002 were disregarded

\*\*\* changes in the years 2001-2004

\*\*\*\* the higher the position the worse the standing of the voivodship (negative phenomena indicator)

Source: CSO

### 3. Lubelskie voivodship

Lubelskie Voivodship is located in the eastern part of the country, away from the main transport routes. It is a large voivodship (25,114km<sup>2</sup>), but relatively sparsely populated (2.2 million population, population density at the level of 71.3% of the national average). A significant fall in population has been observed in connection to unfavourable demographic processes taking place mainly in underdeveloped rural areas. The capital city of the region, Lublin with the population of almost 400,000, is the most important economic centre of eastern Poland, it is also distinguished as an academic centre and a place with considerable scientific and research potential. Urbanisation rate of the region amounts to half of the national average, that is only 46.7% (the 14<sup>th</sup> position).

The GDP per capita generated in the region (around 15,000 PLN) is the lowest in Poland, as well as in the European Union. Average monthly gross wage and salary (PLN 2,000) makes the region come 10<sup>th</sup> in the country. These low values (just like some other characteristics of the region) are connected to the high share of agriculture in the social and economic structure of the region.

Gross Value Added is mainly created in market services (47.0%), industry and construction (24.6%) and non-market services (23.1%). The last sector gives the voivodship the first position in the country, which is a manifestation of high dependence of the region from social transfers. It is also distinguished by the relatively large share of agriculture (182.8% of the national average, 3<sup>rd</sup> place).

The voivodship records low values of technological advancement of the industry. Automation of processes in the industry is much lower than the national average (amounts to 59.0%).

*The lowest GDP per capita in Poland and the EU*

*The lowest investment expenditures, but 8<sup>th</sup> position in the country in terms of R&D expenditures*

Investment expenditures are the lowest in the country (1,800 PLN). A higher (eighth) position is taken by the region in terms of the amount of expenditures on research and development (76.8 PLN), which should be attributed mainly to Lublin as a buoyant academic centre.

Saturation with commercial law companies gives the voivodship a distant, 13<sup>th</sup> position. The number of employed persons per 1,000 population is above the average (by 1.9 percentage point), while the value of the indicator is going down. Professional activity rate in Lubelskie Voivodship is the highest in the country, which results from the highest share of professionally active persons in agriculture. The value of the economic burden rate is unfavourable, 9.4 percentage points below the average, which is the consequence of a high share of non-working age population in the region.

Registered unemployment rate is relatively low (11<sup>th</sup> position in Poland), which, however – just like in other voivodships of eastern Poland – is largely connected to high proportions of employment in agriculture.

*Ample opportunities for the development of tourism*

Legally protected areas in Lubelskie Voivodship account for 22.8% of the total area, which is a value lower than the national average (12<sup>th</sup> position). Lubelszczyzna is an area attractive for tourists, it has a rich and differentiated cultural heritage, beautiful landscape and health resorts and it belongs to the ecologically purest regions. It also has favourable conditions for the production of organic food. Material culture attracts tourists, among others, to Kazimierz Dolny, Lublin, Zamość and Kozłówka. Limited accessibility of the region for the European Union citizens because of the underdevelopment of transport and airport infrastructure constitutes a barrier for the development of tourism.

Tabela 3. General characteristics of the voivodship (2004)

Lubelskie	2004 r.			1999-2004	
	Value	Poland =100	Position	Change in percentage points in relation to the national average	Change of position
Area in km <sup>2</sup>	25114	8.0	3	x	x
Population in thousands	2185.2	5.7	8	0	0
Population density (pop per km <sup>2</sup> )	87	71.3	12	-2.0	0
Urbanisation rate (proportion of population living in urban areas) in %	46.7	75.9	14	0.3	0
GDP per capita in PLN*	15019	70.3	16	0.5	0
Gross Value Added* in:					
- agriculture in %	5.3	182.8	3	-19.7	-2
- industry and construction in %	24.6	81.5	14	1.9	1
- market services in %	47.0	93.1	10	2.2	-1
- non-market services in %	23.1	140.9	1	2.5	1
Investment expenditures per capita in PLN	1848	58.6	16	4.0	-1
Expenditures on R&D activities per capita in PLN	77	56.9	8	5.2	0
Automated industrial lines per 10,000 population	1.51	59.0	15	-4.4	-1
Commercial law companies per 1,000 population	3.1	54.1	13	1.0	0
Employed persons per 1,000 population**	332	101.9	5	-8.4	-1
Professional activity rate *** in %	57.2	104.6	1	-1.3	0
Economic burden rate (non-working age population per 100 working age population)****	62.9	109.4	2	-1.2	0
Registered unemployment rate (as of Dec.)****	17.8	94	11	-4.8	0
Average monthly gross wages and salaries in PLN	2000	88.0	10	-0.1	2
Area of legally protected areas in %	22.8	70.2	12	0.3	0

\* in 2003

\*\* changes in the methodology of calculating the number of people employed in agriculture since 2002 were disregarded

\*\*\* changes in the years 2001-2004

\*\*\*\* the higher the position the worse the standing of the voivodship (negative phenomena indicator)

Source: CSO

#### 4. Lubuskie voivodship

Lubuskie voivodship is located in the mid-western part of Poland, on the border with Germany. It is one of smaller Polish regions – its area is 13,989km<sup>2</sup>, which constitutes only 4.5% of the total area of the country. Lubuskie is also one of the smallest regions of Poland in terms of population (1 million population) and one of the most thinly populated (72 persons per km<sup>2</sup>). The function of capital cities in the region is fulfilled by two cities – Gorzów Wielkopolski (126,000 population) is the seat of government administration, Zielona Góra (119,000 population) is the seat of self-government authorities. The region has great importance for economic connections of Poland with other EU Member States, as there are 8 large road border crossings and 4 railway border crossings located on the Polish-German border within the voivodship. Urbanisation rate of the voivodship does not diverge from the national average – about 64.2% of the inhabitants live in urban areas.

*One of the  
smallest  
voivodships*

The amount of GDP per capita (18,400 PLN) makes the voivodship come below the national average (86.1%), and its position is getting worse (fall from the 8<sup>th</sup> to the 10<sup>th</sup> place in the years 1999-2003). Services dominate in the generation of the GAV of the region, including market services (48.8%), such as: trade and repairs and transport, warehousing and communications. In terms of industrial potential, the voivodship belongs to the medium industrialised regions. Industry has underwent restructuring as a result of the privatisation process and inflow of foreign capital, mainly German, in the form of numerous but relatively small companies. The structure of industries is quite diversified, and its modern character is expressed by process automation in manufacturing – the highest in the country. Some of the relatively important industries are the labour-consuming ones: timber, furniture and paper industry, which exploit the natural resources of the region.

*Development of  
industries based  
on the raw  
materials of the  
region*

Small companies dominate in the voivodship, which employ nine employees, but at the same time the share of commercial law companies is slightly higher than the average in the country, which is particularly the result of the existence of many Polish-German *joint-venture* companies. Investment expenditures calculated per capita on the development of infrastructure and buildings do not diverge from the national average. At the same time, Lubuskie Voivodship belongs to the regions where the smallest amounts of resources are devoted to research and development activities, which may be contributing to the innovativeness of the region.

*Low innovation  
potential of  
the region*

The agriculture of Lubuskie Voivodship is characterised by the lowest share of arable land in the area (around 40%) in Poland and a small share of individual farms, which take up only 61% of the area. The share of the sector in Gross Value Added is one of the lowest in the country (2%) and is still falling. It results from the unfinished process of ownership transformations in the former State-Owned Farms (PGR).

The number of employed persons per 1,000 population is one of the lowest in the country, which is undoubtedly influenced by very high registered unemployment rate (25.6%). The situation makes the average monthly gross wage and salary amount to only 86.5% of the national average. However, it should be stressed that the professional activity rate calculated on the basis of LFS does not diverge from the average, which may indicate a greater importance of the so-called “black economy” in the region in the form of unregistered employment.

Against the background of the country and the neighbouring regions, Lubuskie is distinguished by a relatively high proportion of pre-working age population and a low proportion of post-working age population. Thanks to it, the economic burden rate belongs to the lowest in the country, and considering the structure of population, it may still improve relatively in the near future. The quality of human capital of Lubuskie Voivodship is relatively low, which is evident, among others, in the low proportion of population with higher education amounting to 6.9%, as compared to the national average of 8.4% (2002). What is more, the region was losing in this respect in relation to other voivodships because of the low number of students amounting to only 333 per 10,000 population, while the Polish average is almost twice as high.

*The highest  
forestation rate,  
natural assets  
and historic  
buildings  
are advantages  
for tourism*

Lubuskie Voivodship is characterised by the highest proportion of forests in the total area (49%) in the country (the national average is 29%), which constitute 7.5% of the area of forests in Poland. Furthermore, there are almost 600 lakes on the territory of Lubuskie Voivodship, while almost 40% of the area are legally protected areas with exceptional natural values, which may constitute – along with historic buildings – the basis for the development of tourism.

Tabela 4. General characteristics of the voivodship (2004)

Lubuskie	2004 r.			1999-2004	
	Value	Poland =100	Position	Change in percentage points in relation to the national average	Change of position
Area in km <sup>2</sup>	13989	4.5	13	x	x
Population in thousands	1009.2	2.6	16	-0.2	0
Population density (pop per km <sup>2</sup> )	72	59.0	14	0.0	0
Urbanisation rate (proportion of population living in urban areas) in %	64.2	104.5	7	-0.2	-1
GDP per capita in PLN*	18396	86.1	10	-4.7	-2
Gross Value Added* in:					
- agriculture in %	2.0	69.0	15	-45.7	-6
- industry and construction in %	30.6	101.3	9	4.2	2
- market services in %	48.8	96.6	5	-2.1	0
- non-market services in %	18.6	113.4	7	5.9	3
Investment expenditures per capita in PLN	2728	86.5	9	-2.9	-3
Expenditures on R&D activities per capita in PLN	23	17.0	15	2.0	1
Automated industrial lines per 10,000 population	3.22	125.5	1	1.7	2
Commercial law companies per 1,000 population	5.8	100.2	6	-6.4	-2
Employed persons per 1,000 population**	280	86.1	14	0.2	0
Professional activity rate *** in %	54.8	100.2	8	3.4	6
Economic burden rate (non-working age population per 100 working age population)****	54.3	94.4	13	-2.9	-1
Registered unemployment rate (as of Dec.)****	25.6	135	3	1.1	-1
Average monthly gross wages and salaries in PLN	1968	86.5	14	-1.3	-1
Area of legally protected areas in %	39.3	120.9	5	7.4	0

\* in 2003

\*\* changes in the methodology of calculating the number of people employed in agriculture since 2002 were disregarded

\*\*\* changes in the years 2001-2004

\*\*\*\* the higher the position the worse the standing of the voivodship (negative phenomena indicator)

Source: CSO

## 5. Łódzkie voivodship

*Located where  
the main routes  
cross*

Łódzkie Voivodship is a region located centrally, where the main transport corridors (including the future motorways no. 1 and 2) and transit corridors of European importance (two corridors of the TEN-T network) cross and through which there run other important – though in bad condition – domestic routes joining the agglomeration of Warsaw with Wrocław, Silesia and Cracow. The capital

city of the region has been dealing with difficulties connected to the results of restructuring of economy as a result of the decline of the state-owned textile and clothes industries. In Łódzkie Voivodship, there are buoyant centres of ceramic production and power production with all-country significance, there is developing transport-warehousing logistics and pharmaceutical and electrotechnical industries. The Bełchatów Industrial Region is very important for the functioning of the region, as it generates a significant share of the Polish GDP, as well as the ceramic manufacturing centre of Opoczno, which is a buoyant production centre of the industry.

*Large industrial  
and mining  
centre*

The underinvested municipal infrastructure is in bad condition. Being an important academic and cultural centre (e.g. the film school), Łódź belongs to the agglomerations with a low proportion of people with higher education (approx. 14%), who, what is more, because of the weakness of the local economy, often look for a job outside the region, mainly in Warsaw.

The voivodship's area is 18,219km<sup>2</sup> (5.8% of the country) and the population is 2.6 million (6<sup>th</sup> place in the country). Population density amounts to 142 persons per km<sup>2</sup>, which is a result above the national average. Similarly, urbanisation rate exceeds the national average, grossly due to the agglomeration of Łódź.

In terms of development level (measured as the value of GDP per capita), Łódzkie takes an average (seventh) position in the country with the income of 19,500 per capita. Average monthly gross wage and salary is lower than the average (1,993 PLN), which gives the region a distant, eleventh position in the country.

The structure of Gross Value Added tells us much about the economic structure of the voivodship – it is generated mainly in market services (47.8%) and in industry and construction (32.4%). In both sectors the voivodship comes above the national average (the 7<sup>th</sup> and 6<sup>th</sup> places), but the growing tendency (by 8.5 percentage points) is observed only in industry and construction. Agriculture generates 2.7% of the GAV, which is a slightly higher share than the national average (2.9%). Modernity of the industry, is measured by the existence of automated production lines, allows to locate Łódzkie on the twelfth position, while a slight growth in this respect should be noted.

Investment expenditures per capita (2,800 PLN) come below average, but they have a clear growing tendency (by 11.8 percentage point in the period under examination of 1999-2004). Though expenditures on research and development activities are lower than the national average, but it still results in the third position in Poland, which confirms the significant role of the academic centre of Łódź.

*Investment  
expenditures  
below  
the national  
average*

Commercial law companies are relatively less numerous in the voivodship than in the rest of Poland (10<sup>th</sup> position in Poland). The voivodship is positively distinguished in terms of the number of employed persons and its increase (by 2.7 point), yet professional activity rate equals the average values for Poland (7th position). Precisely equal to the average is the economic burden rate (57.5%). Also registered unemployment rate is close to the average (19.5%), whereas in the years 1999-2004 there took place a slight improvement of the position of the voivodship (from position 9 to 8).

The voivodship is not renown for special natural values (that is also manifested by the lowest proportion of protected areas in Poland – only 16.4% of the area), which does not mean that there are no attractive areas. There are numerous complexes of castle and palace buildings, as well as landscape parks. The potential in the scope of the historic development typical for the industrial era is

*Unique urban  
complexes*

exceptional as – especially in Łódź – there remained urban complexes unique at the European scale, which, however, require costly revitalisation. The central location in the country increases the chance for accelerating the development of the region (already logistics centres and Władysław Reymont Łódź Airport are being expanded).



Tabela 5. General characteristics of the voivodship (2004)

Łódzkie	2004 r.			1999-2004	
	Value	Poland =100	Position	Change in percentage points in relation to the national average	Change of position
Area in km <sup>2</sup>	18219	5.8	9	x	x
Population in thousands	2587.7	6.8	6	0	0
Population density (pop per km <sup>2</sup> )	142	116.5	5	-1.2	-1
Urbanisation rate (proportion of population living in urban areas) in %	64.7	105.2	5	0.2	0
GDP per capita in PLN*	19498	91.3	7	0.2	0
Gross Value Added* in:					
- agriculture in %	2.7	93.1	9	-14.2	1
- industry and construction in %	32.4	107.3	6	8.5	4
- market services in %	47.8	94.7	7	-3.5	-1
- non-market services in %	17.1	104.3	11	-3.3	0
Investment expenditures per capita in PLN	2803	88.8	8	11.8	2
Expenditures on R&D activities per capita in PLN	116	85.8	3	1.6	0
Automated industrial lines per 10,000 population	218	84.9	12	2.8	1
Commercial law companies per 1,000 population	4.2	72.6	10	3.2	0
Employed persons per 1,000 population**	343	105.3	3	2.7	5
Professional activity rate *** in %	55.0	100.5	7	-0.2	0
Economic burden rate (non-working age population per 100 working age population)****	57.5	100.0	8	0.5	1
Registered unemployment rate (as of Dec.)****	19.5	120.6	9	-5.2	-1
Average monthly gross wages and salaries in PLN	1993	87.7	11	-0.6	0
Area of legally protected areas in %	16.4	50.5	16	0.3	0

\* in 2003

\*\* changes in the methodology of calculating the number of people employed in agriculture since 2002 were disregarded

\*\*\* changes in the years 2001-2004

\*\*\*\* the higher the position the worse the standing of the voivodship (negative phenomena indicator)

Source: CSO

## 6. Małopolskie voivodship

Małopolskie Voivodship is located in the southern part of the country and borders on Slovakia. Małopolskie is one of the smallest voivodships (15,190km<sup>2</sup>), yet it concentrates a large population (3.3 million). Population density is high

- 215 persons per km<sup>2</sup> – comes second after Śląskie Voivodship. Still urbanisation rate is low (49.7% of urban population). Apart from Cracow, which has 757,000 population and is a significant economic, academic, scientific, cultural and tourist centre, some of the larger cities are: Tarnów (118,000 population), Nowy Sącz (84,000 population), as well as Oświęcim, Chrzanów and Zakopane.

GDP per capita of the region is lower than the average in Poland – the voivodship takes the 9<sup>th</sup> position among Polish regions. The share of industry and construction in the regional Gross Value Added is slightly lower than in the whole country, just the share of market services. Yet in the case of non-market services, accounting for 18.3 of the regional GAV, the voivodship quite clearly exceeds the national average. The share of agriculture in GAV is 2.1% and is much lower than the share of agriculture in the national GAV (13<sup>th</sup> place in the country). The average size of agricultural farm in Lesser Poland belongs to the lowest in the country, which makes it difficult to increase the effectiveness of agricultural production.

The level of investment expenditures (2,800 PLN per 1,000 population) makes the voivodship come among the “mediocre” regions (7<sup>th</sup> place), and the position is stable, despite the fast growth of the outlays.

Małopolskie Voivodship is characterised by a considerable scientific and research and development potential. In terms of expenditures on R&D activities calculated per capita, it is second only to Mazowieckie Voivodship. What is more, in the years 1999-2004, the expenditures on R&D in the voivodship were growing quickly (by 34 percentage points in relation to the national average). Another area in which Małopolskie Voivodship is distinguished is the number of automated production lines per 1,000 population, which also exceeds the national average.

The number of commercial law companies is less than 5 companies per 1,000 population, which is 81.1% of the national average.

Low registered unemployment (15%) is an advantage of the region (lower registered unemployment is recorded only in Mazowieckie Voivodship). There is also significant disguised unemployment (estimated, together with the region of Podkarpacie – at 700,000-900,000) connected to overpopulation of agriculture.

The problem of the region was ageing of its population. The economic burden rate for Małopolskie Voivodship is higher than the national average (60.7 non-working age population per 100 working age population), which is manifested, as a consequence, in the number of employed persons lower than the average (310.7) per 1,000 population, despite the relatively high professional activity rate (56.9% - which constitutes 104% of the average for Poland and gives the region the 3<sup>rd</sup> place in the country).

The differentiated geographic environment determines the attractiveness of the region for tourists. On the territory of the Małopolskie Voivodship, there are 5 national parks (Babiogórski, Gorczański, Ojcowski, Pieniński, and partly Magurski). The legally protected areas cover 58.9% of the area of the voivodship (2<sup>nd</sup> position in Poland). The region has also a high potential in terms of health resorts (e.g. Krynica, Muszyna, Rabka). Also the values of material culture determine the tourist attractiveness of Lesser Poland. It is above all Cracow, but also wooden ecclesiastical historic buildings entered on the UNESCO World Cultural Heritage List, castles and ruins of castles, urban complexes of Stary Sącz and Tarnów, places of pilgrimage (e.g. Kalwaria Zebrzydowska), the salt mine in Wieliczka, or the area of the concentration camp in Oświęcim.

*GDP lower than the national average*

*Considerable scientific potential, second position in the country in terms of R&D expenditures*

*Region attractive for tourists*



*There are  
environmental  
problems*

There are quite significant environmental problems in the region: pollution of Cracow with ashes and gases coming from heating plants and the steelworks, as well as the pressure of tourism on the wildlife of the Tatra Mountains.

The opportunity for development of the region is its educational (huge number of students) and research and development potential. The Jagiellonian University is one of the two leading universities in the country. The Software Centre of Motorola in Cracow may be an example of positive utilisation of the potential to attract capital.

Tabela 6. General characteristics of the voivodship (2004)

Małopolskie	2004 r.			1999-2004	
	Value	Poland =100	Position	Change in percentage points in relation to the national average	Change of position
Area in km <sup>2</sup>	15190	4.9	12	x	x
Population in thousands	3260.2	8.5	4	0	0
Population density (pop per km <sup>2</sup> )	215	176.2	2	4.4	0
Urbanisation rate (proportion of population living in urban areas) in %	49.7	80.8	13	-0.5	0
GDP per capita in PLN*	18522	86.7	9	-2.7	0
Gross Value Added* in:					
- agriculture in %	2.1	72.4	13	-3.2	0
- industry and construction in %	29.5	97.7	11	-6.7	-4
- market services in %	50.2	99.4	4	3.5	4
- non-market services in %	18.3	111.6	9	-0.4	-3
Investment expenditures per capita in PLN	2821	89.4	7	8.2	0
Expenditures on R&D activities per capita in PLN	198	146.6	2	34.0	0
Automated industrial lines per 10,000 population	2.78	108.4	6	-3.9	0
Commercial law companies per 1,000 population	4.7	81.1	8	5.0	0
Employed persons per 1,000 population**	310	95.6	8	-0.7	-3
Professional activity rate *** in %	56.9	104.0	3	4.6	2
Economic burden rate (non-working age population per 100 working age population)****	60.7	105.6	5	0.7	0
Registered unemployment rate (as of Dec.)****	15.0	79	15	1.1	-1
Average monthly gross wages and salaries in PLN	2098	92.3	5	1	2
Area of legally protected areas in %	58.9	181.2	2	2.2	-1

\* in 2003

\*\* changes in the methodology of calculating the number of people employed in agriculture since 2002 were disregarded

\*\*\* changes in the years 2001-2004

\*\*\*\* the higher the position the worse the standing of the voivodship (negative phenomena indicator)

Source: CSO

## 7. Mazowieckie voivodship

Mazowieckie Voivodship is the largest (35,566 km<sup>2</sup>) and the most populous region in Poland (more than 5 million population). It is characterised by the highest intra-regional differences, which results from the advancement of the development of the only well-formed metropolis in the country – the capital city with the population of 2.5 million. There is a polycentric settlement network with some relatively well-developed subregional centres. However, because of the areas of former voivodship being part of the region: Ciechanowskie, Płockie, Radomskie, and Siedleckie, which are much less populated and urbanised, the population density of the region is only about 20% higher than the national average, and the urbanisation rate exceeds the average by only 5%. The dichotomy of development from the structural and functional point of view between the metropolitan centre of the region and the agricultural peripheries constitutes the basic feature of Mazowieckie Voivodship. What is more, the greatest internal differentiation in the country has the tendency to deepen as a result of the predominance of the polarisation processes over processes of diffusion of development, whose scope is limited to 30-50km from the centre of Warsaw.

*The largest in the country, differentiation within the region*

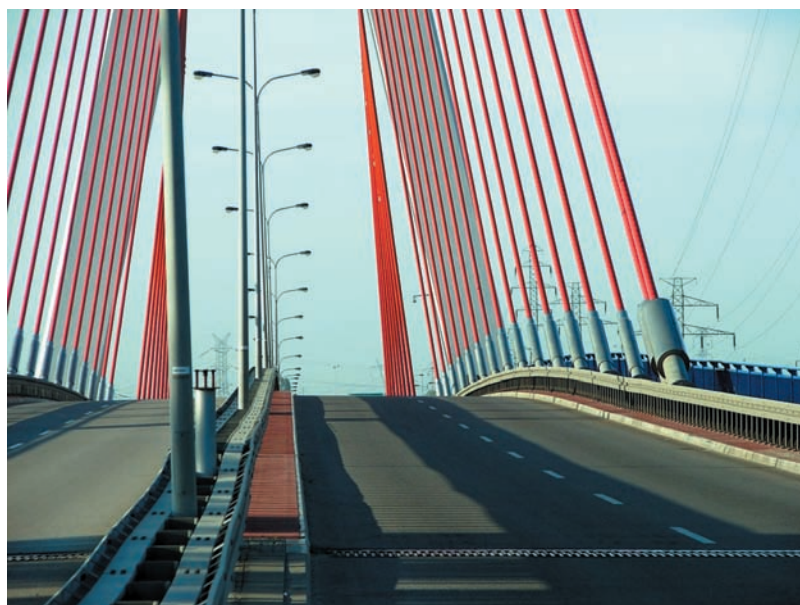
The Warsaw metropolis constitutes the economic centre of the region with the GDP per capita exceeding 200% of the national average, which rises the average of the whole voivodship to 153% of the average, making the voivodship come first in the Polish ranking and giving it the position of an unquestioned leader of transformation. It results from the specialisation of the Warsaw metropolis in market services, of which in particular in higher level services, such as: financial intermediation and services for real estate and companies, as well as management functions and research and development and academic activities (the voivodship concentrates about one third of the academic potential of the country, while its share in international contacts of Polish science reach 40-50%). Also the remaining services, such as trade and repairs, transport, warehousing and communications, as well as hotels and restaurants have all-Polish reach and huge importance for the economy of the region. Against that background, despite the capital character of the main city of the region, non-market services, such as public administration, are of secondary importance in generating the regional product. Furthermore, the processes of deindustrialisation of the economy of the region, which belonged to some of the deepest in Poland, made the share of industry and construction in the GDP structure the lowest in the country. Agriculture, although it is of little importance on the economic scale (2.5% of GDP), constitutes the major source of living for about 16% of employed persons. A significant role is played by specialised agriculture – fruit-farming and horticulture in the southern part of the voivodship and the dynamically developing dairy complex in its south-eastern part.

*High academic potential, high expenditures on R&D*

*Strong centre of services*

The position of the leader of economic development occupied by the voivodship is favoured by: the location on the crossing of two major communication routes (domestic and international) and investment expenditures per capita highest in the country. However, it should be noted that their dynamics in the last years decreased substantially (a fall from more than 200% of the national average to 168%). Also expenditures on research and development activities per capita are the highest in Poland and more than three times higher than the country average. It testifies to the high innovativeness of

the region, which might in effect lead to further strengthening of its competitive position. It is also favoured by, among others, the constantly growing number of automated production lines in plants. Moreover, large enterprises, including those with foreign capital, have relatively the greatest importance in the economy of the region in comparison to other voivodships, which is evident from the high saturation with commercial law companies (11.7 per 1,000 population). At the same time the voivodship has the largest sector of small and medium enterprises in the country.



*The lowest  
unemployment  
rate and the  
highest average  
wages and  
salaries*

The good condition of economy leads to the fact that the number of employed persons per 1,000 population is the highest in the country, just like the average wages and salaries. As a result, the voivodship records the lowest registered unemployment rate, though at the same time professional activity according to LFS only slightly exceeds the average. The average national values are also reached by the economic burden rate, in the case of which the growth of post-working age population is to some extent compensated by economic migration of working age population.

Mazowieckie Voivodship, located on the Mid-Polish Lowlands, is not distinguished in terms of wildlife. The forestation of the region is relatively low (22.1%), and the share of legally protected areas in the total area (29.6%) makes the voivodship come just below the average. At the same time, a large proportion of the area belongs to the area of the so-called "Green Lungs of Poland," which should determine the development of organic agriculture and favours agrotourism on the area. Accommodation and tourist establishments are developing well, while the strong position of Warsaw is perceptible (as a cultural centre of international importance) in foreign tourism.

Tabela 7. General characteristics of the voivodship (2004)

Mazowieckie	2004 r.			1999-2004	
	Value	Poland =100	Position	Change in percentage points in relation to the national average	Change of position
Area in km <sup>2</sup>	35566	11.4	1	x	x
Population in thousands	5146	13.5	1	0	0
Population density (pop per km <sup>2</sup> )	145	118.4	4	4.4	1
Urbanisation rate (proportion of population living in urban areas) in %	64.7	105.2	6	1.3	1
GDP per capita in PLN*	32722	153.2	1	3.9	0
Gross Value Added* in:					
- agriculture in %	2.5	86.2	10	0.8	2
- industry and construction in %	23.5	77.8	16	-1.4	0
- market services in %	61.0	120.8	1	0.3	0
- non-market services in %	13.0	79.3	15	-3.4	0
Investment expenditures per capita in PLN	5309	168.3	1	-41.3	0
Expenditures on R&D activities per capita in PLN	440	325.4	1	-9.3	0
Automated industrial lines per 10,000 population	3.21	125.3	2	7.2	3
Commercial law companies per 1,000 population	11.7	203.4	1	-8.4	0
Employed persons per 1,000 population**	394	121.2	1	6.0	0
Professional activity rate *** in %	55.8	102.0	6	-3.0	-3
Economic burden rate (non-working age population per 100 working age population)****	58.4	101.6	6	-0.2	0
Registered unemployment rate (as of Dec.)****	14.7	77.4	16	4.9	0
Average monthly gross wages and salaries in PLN	2910	128.0	1	-1.7	0
Area of legally protected areas in %	29.6	91.1	10	0.1	0

\* in 2003

\*\* changes in the methodology of calculating the number of people employed in agriculture since 2002 were disregarded

\*\*\* changes in the years 2001-2004

\*\*\*\* the higher the position the worse the standing of the voivodship (negative phenomena indicator)

Source: CSO

## 8. Opolskie voivodship

Opolskie Voivodship, located in the south-western part of Poland, is a region on the Polish-Czech border. It is the smallest Polish voivodship (9,412 km<sup>2</sup>). The Population of the region is slightly higher than 1 million (only the Lubuskie Voivodship is less populated). Population density amounting of 112 persons per km<sup>2</sup> is lower than the Polish average. The urbanisation rate of the region (52.7% of population living in urban areas) is also lower than the national urbanisation rate (61.5%). Opole with 129,000 population is the capital city of the voivodship and its largest city. Some other large cities are: Kędzierzyn Koźle (66,100 population), Nysa ( 47,800) and Brzeg (38,600). Opolskie Voivodship is a multicultural region. Influences of three cultures are perceptible here: Polish, German, and Czech. GDP per capita amounts to 17,200 PLN, which is 80.4% of the national average.<sup>20</sup> Opolskie Voivodship is characterised by a small share of market services in the Gross Value Added - 43.8% (15<sup>th</sup> position in the country) and the share of agriculture higher than average, almost by half (4.2% as compared to the national 2.9%). High effectiveness of the agriculture of Opolskie results from the high agricultural culture, advantageous soils and climate, as well as good equipment of the agricultural farms.

*The smallest voivodship with GDP lower than the national average*

<sup>20</sup> It should be remembered that migrations abroad are not estimated in statistics. In the case of regions with considerable size of the phenomena, some values calculated per population are given too low. Such is the case on the case of GDP – in the calculator, there is a value generated by a smaller number of inhabitants than indicated in the denominator of the indicator.

## Low investment expenditures

Low investment expenditures (2,200 PLN per capita) make the region come 14<sup>th</sup>. Expenditures on research and development are just as bad – 27.9 PLN per capita, which is a value almost 5 times lower than the Polish average. In terms of the number of commercial law companies per 1,000 population (4.1) the region is also far from the national average (5.8). The “development gap” is getting even more evident due to the small number of automated production lines – only 1.58 per 10,000 population (about 60% of the national average). Industry is characterised by an extensive division structure and regular spatial distribution. Some of the dominant industries are: food, power, chemical, mineral, metal and furniture industries. The growing number of foreign investments (there is the largest number of companies with a share of partners from Germany). Investors are additionally attracted by good transport connections in the region (A4 motorway).

## Foreign investments are the chance

Some of the serious problems of the region are: high registered unemployment (20%), the highest in Poland migration balance per 1,000 population (-3.2), as well as one of the lowest in the country (15<sup>th</sup> position) number of employed persons per 1,000 population (276), and the low professional activity rate (52.3%) which gives the region the last but one position in the country.<sup>21</sup>

The area of legally protected areas amounts to 27.1% of the area of the voivodship (11<sup>th</sup> position). Of the legally protected areas, the following are worth noticing: “Góra św. Anny” Landscape Park and “Góry Opawskie” Landscape Park. The most interesting material culture monuments are concentrated in Opole, Brzeg, Nysa, Głogówek and Paczków.

Tabela 8. General characteristics of the voivodship (2004)

Opolskie	2004 r.			1999-2004	
	Value	Poland =100	Position	Change in percentage points in relation to the national average	Change of position
Area in km <sup>2</sup>	9412	3.0	16	x	x
Population in thousands	1051.5	2.8	15	0	0
Population density (pop per km <sup>2</sup> )	112	91.8	10	-2.3	-1
Urbanisation rate (proportion of population living in urban areas) in %	52.7	85.7	12	0.9	0
GDP per capita in PLN*	17173	80.4	11	-3.3	0
Gross Value Added* in:					
- agriculture in %	4.2	144.8	6	27.8	0
- industry and construction in %	32.5	107.6	5	-9.3	-3
- market services in %	43.8	86.7	15	3.5	1
- non-market services in %	19.5	118.9	6	6.9	1
Investment expenditures per capita in PLN	2212	70.1	14	-11.1	-6
Expenditures on R&D activities per capita in PLN	28	20.7	14	-8.1	1
Automated industrial lines per 10,000 population	1.58	61.5	14	-3.6	-1
Commercial law companies per 1,000 population	4.1	71.0	11	2.3	0
Employed persons per 1,000 population**	277	84.9	15	-4.0	-4
Professional activity rate *** in %	52.3	95.6	15	-0.3	0
Economic burden rate (non-working age population per 100 working age population)****	56.0	97.4	12	1.5	1
Registered unemployment rate (as of Dec.)*****	20.0	105	3	4.5	-2
Average monthly gross wages and salaries in PLN	2068	91.0	8	-0.4	0
Area of legally protected areas in %	27.1	83.4	11	0.1	0

\* in 2003

\*\* changes in the methodology of calculating the number of people employed in agriculture since 2002 were disregarded

\*\*\* changes in the years 2001-2004

\*\*\*\* the higher the position the worse the standing of the voivodship (negative phenomena indicator)

Source: CSO

<sup>21</sup> The situation may be explained by the traditional economic migration (in particular to Germany) – cf. the footnote above.

## 9. Podkarpackie voivodship

Podkarpackie Voivodship is located in the south-eastern part of Poland. It borders on Slovakia (to the south) and Ukraine (to the east). Podkarpackie is neither large (17,844 km<sup>2</sup> - 11<sup>th</sup> position), nor populous (2.1 million population - 9<sup>th</sup> position). Population density (118 persons per km<sup>2</sup>) does not exceed the national average. Urbanisation rate is the lowest among all regions of Poland (only 40.5% of population living in urban areas). The whole area of the voivodship is covered with trans-border cooperation within the Carpathian Euroregion. The mountainous character of the voivodship determines the distribution of the population and the structure of economy. Rzeszów is the capital city of the region (159,000 population). Other cities are: Przemyśl (68,000 population), Stalowa Wola (66,000), Tarnobrzeg (50,000) and Krosno (48,000).

Podkarpackie Voivodship is one of the poorest regions of the country and the European Union. GDP per capita amounts to 15,400 PLN. It is only 72.2% of the national average (15<sup>th</sup> position).

The structure of generating Gross Value Added is characterised by the lowest, in comparison to other voivodships, share of market services (43.7% as compared to 50.5% of the national average). Non-market services generate 20.8% of the GAV, while industry and construction 33.2% - in the case of both indicators the voivodship comes 4<sup>th</sup> in the country. The share of agriculture in the GAV (2.3%) is lower than the national average (2.9) and the share decreased in the period of 1999-2004 significantly (by 35 percentage points in relation to the national average). Good conditions for the development of agriculture can be found only between the Vistula and San rivers. Agriculture in the voivodship is characterised by low market orientation of agricultural production, low effectiveness and particularly bad agricultural structure. The average area of arable land per agricultural farm amounts to half of the national average.

In terms of investment expenditures per capita, the voivodship comes 10<sup>th</sup> with investment expenditures amounting to 74.3% of the national average. Although in the years 1999-2004 the dynamics of the growth of investment expenditures was considerable, the values are still too low to bring the region to the path of dynamic development. Dynamisation of economic development will be difficult also because of low expenditures on research and development (only 36.7% of the national average of expenditures per capita, thus the 10<sup>th</sup> position). With the generally low R&D expenditures, their structure looks good - there is a large share (as for the Polish conditions) in financing research and development expenditures of enterprises. The weakness of the regional economy is manifested by the lowest number of commercial law companies per 1,000 population in Poland (46% of the national average) and the lowest average monthly gross wage and salary in the country.

Registered unemployment rate (19.1%) is slightly higher than the rate for the whole country. Besides, there is exceptionally high disguised unemployment in agriculture and incomplete utilisation of labour resources in rural areas. The professional activity rate only slightly diverges from the average. The number of employed persons per 1,000 population, which amounts to 303 persons, is much lower than the national average (325 persons). The economic burden rate belongs to the highest ones in the country (3<sup>rd</sup> position) - almost 63 non-working age population per 100 working age population.

*Mountainous character of the region – one of the poorest in the EU*

*Too low investment and R&D expenditures*

*Region attractive  
for tourists*

The greatest tourist attraction of the voivodship are the Bieszczady Mountains - the least populated area of Subcarpathia. Legally protected areas (including National Parks: Bieszczadzki and Magurski) cover 47.5% of the area of the voivodship. Yet the tourist infrastructure is not well-developed, which significantly limits the possibility of developing tourism.



Tabela 9. General characteristics of the voivodship (2004)

Podkarpackie	2004 r.			1999-2004	
	Value	Poland =100	Position	Change in percentage points in relation to the national average	Change of position
Area in km <sup>2</sup>	17844	5.6	11	x	x
Population in thousands	2098.0	5.5	9	0	0
Population density (pop per km <sup>2</sup> )	118	96.3	7	0.3	0
Urbanisation rate (proportion of population living in urban areas) in %	40.5	65.8	16	-0.7	0
GDP per capita in PLN*	15436	72.2	15	-1.2	-1
Gross Value Added* in:					
- agriculture in %	2.3	79.3	11	-35.3	-4
- industry and construction in %	33.2	109.9	4	0.0	0
- market services in %	43.7	86.5	16	0.6	0
- non-market services in %	20.8	126.8	4	5.0	0
Investment expenditures per capita in PLN	2345	74.3	10	13.0	3
Expenditures on R&D activities per capita in PLN	50	36.7	10	-19.8	0
Automated industrial lines per 10,000 population	3.04	118.3	3	-12.4	-1
Commercial law companies per 1,000 population	2.7	46.0	16	6.7	0
Employed persons per 1,000 population**	303	93.2	10	-20.3	-8
Professional activity rate *** in %	53.8	98.4	10	-0.6	-1
Economic burden rate (non-working age population per 100 working age population)****	62.9	109.4	3	-1.0	0
Registered unemployment rate (as of Dec.)****	19.1	101	10	-10.2	-3
Average monthly gross wages and salaries in PLN	1941	85.4	16	-0.4	-1
Area of legally protected areas in %	47.5	146.2	3	-0.5	1

\* in 2003

\*\* changes in the methodology of calculating the number of people employed in agriculture since 2002 were disregarded

\*\*\* changes in the years 2001-2004

\*\*\*\* the higher the position the worse the standing of the voivodship (negative phenomena indicator)

Source: CSO

## 10. Podlaskie voivodship

Podlaskie Voivodship is located on the north-eastern part of Poland on the border with Lithuania and Belarus. The peripheral location is reflected in the small population (1,2 million), which is dispersed over large area (20,187 km<sup>2</sup>), which makes population density one of the lowest in the country (60 persons per km<sup>2</sup>). At the same time – despite the small number of urban centres – the share of the population living in urban areas in the total population (60%) is only slightly lower than the national average, which is the result of the size of Białystok – the main urban centre of the region – which has the population of 292,000 (11<sup>th</sup> position in Poland). In the economic dimension, the peripheral character of the voivodship is determined, among others, by the inflow of direct foreign investments. Insufficiently developed transport infrastructure, despite the fact that important international routes run across its territory, is a clear obstacle for the development of the voivodship.

*Peripheral location results in low inflow of foreign direct investments*

Podlaskie Voivodship belongs to the least developed in the country, which is evident from the very low level of GDP per capita (16,100 PLN). The region has a typically agricultural character with the highest in the country share agricultural production in the Gross Value Added (6.2%). It is favoured by the advantageous agricultural structure, compensating poor soils and climate. In agriculture, because of the large share of green crops (meadows and pastures), dairy farming is of huge importance – the western part of the region belongs to the quickly developing dairy complex, changing the economic and social structure of the villages. Industry is relatively weakly developed, while food processing is the main industry. The dominating industries have the traditional, labour-consuming character, the level of automation of production processes is low. In comparison to the whole country, non-market services play an important role in generating Gross Value Added. It results, among others, from the high importance of Białystok as a medical and academic centre.

*Developed food processing*

Despite the relatively low investment expenditures per capita on the development of infrastructure and buildings, expenditures on research and development activities have been growing quite steeply recently. Their increase enabled improvement of the place occupied by the voivodship by 3 positions in the last 5 years. It results in particular from the actions undertaken by public research and development institutions and higher education institutions. The engagement of the enterprise sector is very low, which results, among others, from the small proportion of large enterprises in the structure of enterprises. Saturation with commercial law companies per 1,000 population is one of the lowest in the country. However, it does not have a negative influence on the amount of average monthly gross wage and salary, which, though lower than the national average by about 12%, still is higher than in 7 other voivodships and is growing gradually.

*Expenditures on R&D are growing*

The high average area of agricultural farms makes agriculture the major source of living for the population living in rural areas. As a result, there are 323 employed persons per 1,000 population, which is very close to the national average (325), while professional activity rate (55.8%), despite the fall in the last period, still gives the voivodship the high 5<sup>th</sup> position in the country. Unemployment rate belongs to the lowest in Poland, which is, firstly, the effect of absorption of labour force by the agricultural sector, and secondly – the traditional economic



emigration. At the same time, the economic burden rate is in Podlaskie Voivodship the highest in the country, which is the result of the very high proportion of post-working age population (16.6%).

#### *High quality of natural environment*

Podlaskie Voivodship is characterised by a high quality of natural environment. Despite average forestation (29.7%) and average share of legally protected areas in the area, it should be noted that there are four national parks on the territory of the voivodship (29% of the area of that kind of parks in Poland) which protect ecosystems of international importance. This may become the basis for the development of specialised qualified tourism in the voivodship.

**Tabela 10.** General characteristics of the voivodship (2004)

Podlaskie	2004 r.			1999-2004	
	Value	Poland =100	Position	Change in percentage points in relation to the national average	Change of position
Area in km <sup>2</sup>	20187	6.5	6	x	x
Population in thousands	1202.4	3.1	14	0	0
Population density (pop per km <sup>2</sup> )	60.0	49.2	15	-0.5	1
Urbanisation rate (proportion of population living in urban areas) in %	59.1	96.1	10	1.8	0
GDP per capita in PLN*	16105	75.4	14	2.6	0
Gross Value Added* in:					
- agriculture in %	6.2	213.8	1	13.8	1
- industry and construction in %	25.1	83.1	13	1.8	1
- market services in %	46.3	91.7	11	-2.1	-1
- non-market services in %	22.5	157.2	2	-2.7	-1
Investment expenditures per capita in PLN	2320	73.5	12	15.1	2
Expenditures on R&D activities per capita in PLN	43	31.7	11	2.5	3
Automated industrial lines per 10,000 population	1.51	58.7	16	-0.3	-1
Commercial law companies per 1,000 population	2.9	51.0	15	3.1	0
Employed persons per 1,000 population**	323	99.3	6	-3.3	1
Professional activity rate *** in %	55.8	102.0	5	-3.0	-3
Economic burden rate (non-working age population per 100 working age population)****	63.7	110.9	1	-1.3	0
Registered unemployment rate (as of Dec.)****	16.1	85	13	-10.7	-1
Average monthly gross wages and salaries in PLN	2005	88.2	9	0.2	4
Area of legally protected areas in %	31.9	98.2	8	0.0	-1

\* in 2003

\*\* changes in the methodology of calculating the number of people employed in agriculture since 2002 were disregarded

\*\*\* changes in the years 2001-2004

\*\*\*\* the higher the position the worse the standing of the voivodship (negative phenomena indicator)

Source: CSO

## 11. Pomorskie voivodship

Pomorskie Voivodship is located in the northern part of the country, on the Baltic Sea. Its size is average (18,293km<sup>2</sup>). Similarly, its population (2.2 million) locates it in the middle of the scale. Population density is close to the average (120 persons per 1 km<sup>2</sup>, that is 98.2% of the national average). Because of the existence of the vast Tri-city agglomeration, urbanisation rate (67,5) exceeds the national average, while significant de-urbanisation process, connected to the expansion of urban population to rural areas, is being recorded. The Tri-city (Gdańsk, Gdynia, Sopot) is an important academic, cultural and economic centre in the last phase of restructuring of the sectors connected to maritime economy. The region has an important seaport complex which fulfils domestic and international functions.

*High urbanisation rate, an important seaport complex*

Income per capita is close to the national average (98%) and amounts to 20,900 PLN. In the years 1999-2004, there was a fall by 4.1 percentage point in relation to the national average, despite the all-Polish importance of the Tri-city metropolis establishing itself. Average monthly gross wage and salary is close to the national average – it constitutes 98.1% of the average (2,231 PLN), which gives a high third position in the country (the distribution of the indicator is very steep).

Gross Value Added is generated mainly by market services (50.4%, which is equivalent to the national average), industry and construction (30.6%; slightly above the average). Agriculture plays a less important role than on average in the country (2.3% of the GAV), which makes the voivodship come eleventh. Automation of production processes in industry gives the voivodship the tenth position in Poland.

Investment expenditures per capita amount to more than 3,000 PLN and are slightly below the average (96.4%). In spite of the fact that they decreased a little (as compared to the average), they still make the voivodship come fifth in the country. A similar position (fourth) is occupied by Pomorskie Voivodship in terms of R&D expenditures, showing an increase by 8.2 percentage point in the period under examination.

Economic activity measured by the number of commercial law companies gives the voivodship the high second position in the country (134.9% of the average); nevertheless, there was some deterioration in relation to the average by 15.6 percentage points.

*In terms of economic activity second position in Poland*

There work less people per 1,000 population than on average in the country (299.3 persons), which gives the 12<sup>th</sup> position (with a slight growth of the indicator by 4 points). Professional activity, in turn, is close to the average (97.4%, yet only the 13<sup>th</sup> position and a drop has been recorded). Similar is the situation (though a bit better) in terms of economic burden rate (98.3% of the average, which gives the 10<sup>th</sup> position). Registered unemployment rate, in connection to the restructuring of the traditional Tri-city industries, as well as significant unemployment in the areas of former State-Owned Farms, is 13% higher than the average.

Legally protected areas cover one third of the area of the voivodship. Both the qualities of material culture (in particular Gdańsk and Malbork), and the natural values (the sea, lakeland, the Bory Tucholskie Forests) constitute the basis for the existence and development of the tourist industry renowned in the country, which develops particularly dynamically in the coastal area. The voivodship is also an important transport hub, which serves the traffic to and from Scandinavia.

Tabela 11. General characteristics of the voivodship (2004)

Pomorskie	2004 r.			1999-2004	
	Value	Poland =100	Position	Change in percentage points in relation to the national average	Change of position
Area in km <sup>2</sup>	18293	59	8	x	x
Population in thousands	2194.0	5.7	7	0	0
Population density (pop per km <sup>2</sup> )	120	98.4	6	1.6	0
Urbanisation rate (proportion of population living in urban areas) in %	67.5	109.6	4	-1.2	0
GDP per capita in PLN*	20929	98.0	5	-3.3	0
Gross Value Added* in:					
- agriculture in %	2.3	79.3	11	11.0	3
- industry and construction in %	30.6	101.3	8	-1.0	1
- market services in %	50.4	99.8	3	-0.8	0
- non-market services in %	16.6	101.2	12	0.5	1
Investment expenditures per capita in PLN	3042	96.4	5	-0.5	0
Expenditures on R&D activities per capita in PLN	113	83.6	4	8.2	1
Automated industrial lines per 10,000 population	2.39	90.1	10	-50.2	-3
Commercial law companies per 1,000 population	7.8	134.9	2	-15.6	0
Employed persons per 1,000 population**	299	92.1	12	4.0	1
Professional activity rate *** in %	53.3	97.4	13	-6.1	-9
Economic burden rate (non-working age population per 100 working age population)****	56.5	98.3	10	0.8	1
Registered unemployment rate (as of Dec.)*****	21.4	11.3	7	7.3	2
Average monthly gross wages and salaries in PLN	2231	98.1	3	3.6	1
Area of legally protected areas in %	32.6	100.3	6	0.6	0

\* in 2003

\*\* changes in the methodology of calculating the number of people employed in agriculture since 2002 were disregarded

\*\*\* changes in the years 2001-2004

\*\*\*\* the higher the position the worse the standing of the voivodship (negative phenomena indicator)

Source: CSO

## 12. Śląskie voivodship

*Industrial region  
with the highest  
urbanisation  
rate in the  
country*

Śląskie Voivodship is located in the southern part of Poland and borders with Slovakia and the Czech Republic. It is one of the smallest regions of the country (12,331 km<sup>2</sup>), which at the same time concentrates a large population potential (4.7million population - number 2 in Poland). Population density (381 persons per km<sup>2</sup>) reaches a very high level (even at the European scale) – the second densest populated voivodship in Poland (Małopolskie) has almost half the population density (215 persons per km<sup>2</sup>). Urbanisation rate in the region is the highest in the country (78.8% population living in urban areas). The capital city of the voivodship is Katowice (320,000 population). The region is characterised by a well-developed urban network, other important cities are: Częstochowa (248,000), Sosnowiec (228,000), Gliwice (200,000), Bielsko-Biała, Chorzów, Tychy, Zabrze, Sosnowiec, Dąbrowa Górnicza, Cieszyn, etc. The Silesian conurbation, inhabited by more than 3 million people, is the largest concentration of population in Poland.

The voivodship is characterised by average soils and quite good climate for the development of farming, though the considerable pollution of the natural environment limits the purposefulness of the development of that sector in a large part of the voivodship.

Śląskie Voivodship is an extremely industrialised region. It was determined by the high deposits of coal, zinc and lead. The social and economic structure started forming at the beginning of the 19<sup>th</sup> century, since when Silesia has been associated in particular with the electric power and raw material industry and the metal industry.

In terms of GDP per capita, the region comes second in the country (after Masovia), just like in the case of average monthly gross wage and salary. So, the nominal level of economic development is high, yet the structure of economy and industry does not reflect the current needs of the country and is a serious burden for the national economy (it is estimated that after 1990 more than 15% of the GD generated in the region was devoted to maintain its ineffective economic and institutional structures).

*Second region  
after Masovia in  
terms of GDP  
per capita*

Śląskie Voivodship is characterised by the country's lowest share of agriculture in Gross Value Added (1%), and the highest among all regions share of industry and construction in GAV (127.2% of the national average). The share of market services in generating GAV amounts to 47.5% (94.1% of the national average), while the share of non-market services amounting to 13% (79.3% of the national average) is the lowest one in the country. The above data testify to the extremely industrial character of the region.

Investment expenditures per capita are slightly lower than the national average. Whereas expenditures on research and development (per capita) constitute only 63.4 % of the national average, which may surprise considering the industrial character of the region and may suggest that the stability of the future economic development of the region is doubtful. The relatively high modernity of the economy is testified to by one of the highest numbers of automated production lines per 10,000 population in the country.

Registered unemployment rate in Silesia (16.9%) is lower than the average unemployment in Poland, yet the professional activity rate is the lowest in the country (51.2%). The number of employed persons per 1,000 population is slightly higher than the national average (7<sup>th</sup> place in the country). In terms of non-working age population per 100 working population, the situation in the region is advantageous – the rate is 53.7 - only two regions have a better age structure of the population (that is the result of significant immigration in the past and some emigration of post-working age population).

Considerable degradation of the natural environment is a serious problem in the region, just like the vast area of degraded post-industrial areas. The problems are concentrated in particular in the economic centre of the region dominated by decadent coal mining and metallurgy. Restructuring of mining is a still unsolved problem - it is difficult not only in economic terms, but also social and political. The overburdened infrastructure is in bad condition and requires modernisation.

*A serious problem  
of the  
degradation  
of the natural  
environment*

Despite the sustaining domination of decadent industries (in the case of coal mining sustained by the temporary economic situation), there start appearing more modern industries in the region (especially car industry), which find locations at the outskirts of the Silesian conurbation.

In the south of the voivodship (Beskidy and Przedgórze), tourism and recreation are developing. That is one of the most precious regions in terms of natural environment in southern Poland. The region is also an important centre for pilgrimage tours. Some development opportunities can be associated with the development of industrial tourism, which, however, requires some progress in terms of organisation and promotion.

Tabela 12. General characteristics of the voivodship (2004)

Śląskie	2004 r.			1999-2004	
	Value	Poland =100	Position	Change in percentage points in relation to the national average	Change of position
Area in km <sup>2</sup>	12331	4.0	14	x	x
Population in thousands	4700.8	12.3	2	0	0
Population density (pop per km <sup>2</sup> )	381	312.3	1	-7.1	0
Urbanisation rate (proportion of population living in urban areas) in %	78.8	128.1	1	-0.4	0
GDP per capita in PLN*	23718	111.0	2	0.6	0
Gross Value Added* in:					
- agriculture in %	1.0	34.5	16	-4.5	0
- industry and construction in %	38.4	127.2	1	6.1	0
- market services in %	47.5	94.1	9	-1.8	-1
- non-market services in %	13.0	79.3	16	-0.4	0
Investment expenditures per capita in PLN	3050	96.7	4	-5.3	0
Expenditures on R&D activities per capita in PLN	86	63.7	7	-5.0	0
Automated industrial lines per 10,000 population	285	111.0	4	19	6
Commercial law companies per 1,000 population	5.2	90.6	7	2.4	0
Employed persons per 1,000 population**	317	97.5	7	4.7	2
Professional activity rate *** in %	51.2	93.6	16	1.5	0
Economic burden rate (non-working age population per 100 working age population)****	53.7	93.4	14	2.9	2
Registered unemployment rate (as of Dec.)****	16.9	89	12	9.6	2
Average monthly gross wages and salaries in PLN	2345	103.1	2	-2.9	-1
Area of legally protected areas in %	22.0	67.7	13	-0.6	0

\* in 2003

\*\* changes in the methodology of calculating the number of people employed in agriculture since 2002 were disregarded

\*\*\* changes in the years 2001-2004

\*\*\*\* the higher the position the worse the standing of the voivodship (negative phenomena indicator)

Source: CSO

### 13. Świętokrzyskie voivodship

*Poor transport infrastructure, low urbanisation rate*

Świętokrzyskie Voivodship is located in the mid-eastern part of the country. In spite of the fact that the busy national road no. 7 runs through the voivodship, it is not well connected with the other regions of the country and the transport infrastructure is underdeveloped.

Świętokrzyskie belongs to the smaller voivodships – it has the area of 11,708km<sup>2</sup> (last but one position in the country), the population of 1.3 million people (13th position), while population density amounts to 90.2% of the national average. Urbanisation rate makes the voivodship come last but one (45.5% of the population lives in urban areas). The capital city – Kielce – has the population of 210,000.

Świętokrzyskie Voivodship is one of the less developed ones – GDP per capita amounts to 16,900 PLN (79.1% of the average), and the average monthly gross wage and salary 1,992 PLN (87.6% of the average).

Gross Value Added in market services accounted for 44.6% of the total (distant, 14<sup>th</sup> position), while in non-market services – 19.5%. Also the relatively high share of agriculture generating 5.8% of the GAV draws attention (twice the national average), which does not testify to the modern character of the sector, but the dated economic structure of the region. The number of automated production lines per 10,000 population gives the voivodship the fifth position.

*R&D expenditures lowest in the country*

Investment expenditures are in the voivodship lower than in comparison to the rest of the country (2,300 per capita, that is 73.7% of the average). Expenditures on research and development are very low, the lowest in the country – they amount to as little as 10.6% of the national average, what is more they fell dramatically by 50.6% in the years 1999-2004.

There is recorded low saturation with commercial law companies in the voivodship (51.8%, which gives the 14<sup>th</sup> position). What looks relatively good is the employed persons rate (4<sup>th</sup> position), yet it shows a decreasing tendency (by 11 percentage points). Professional activity rate gives the Świętokrzyskie Voivodship a distant, fourteenth position, and the situation in terms of economic burden is not much better (it amounts to 61.5%; that is above the average).

Registered unemployment rate is high (22.0%), however – just like in other less-developed regions of central and eastern Poland – the real measure of unemployment may be obtained by considering also agricultural unemployment.

A large part of the voivodship is covered by legal protection (61.9%, which gives it the first place in Poland). Legally protected areas concentrate in particular in the centrally located Świętokrzyskie Mountains and the Vistula valley (including Pieprzowe Mountains). Despite having some potential for the development of tourism (e.g. the health resort Busko Zdrój, the Świętokrzyskie Mountains, Sandomierz and others), because of the location on the outskirts of the main routes and underdeveloped transport and tourist infrastructure the potential may not be realised.



Tabela 13. General characteristics of the voivodship (2004)

Świętokrzyskie	2004 r.			1999-2004	
	Value	Poland =100	Position	Change in percentage points in relation to the national average	Change of position
Area in km <sup>2</sup>	11708	3.7	15	x	x
Population in thousands	1288.7	3.4	13	0	0
Population density (pop per km <sup>2</sup> )	110	90.2	11	-1.4	-1
Urbanisation rate (proportion of population living in urban areas) in %	45.5	74.0	15	-0.1	0
GDP per capita in PLN*	16911	79.1	12	1.0	0
Gross Value Added* in:					
- agriculture in %	5.8	200.0	2	39.0	3
- industry and construction in %	30.0	99.3	10	-8.0	-5
- market services in %	44.6	88.3	14	2.6	1
- non-market services in %	19.5	118.9	5	4.6	0
Investment expenditures per capita in PLN	2325	73.7	11	6.1	1
Expenditures on R&D activities per capita in PLN	14	10.6	16	-50.7	-7
Automated industrial lines per 10,000 population	285	111	5	13.9	4
Commercial law companies per 1,000 population	3.0	51.8	14	3.1	0
Employed persons per 1,000 population**	333	102.4	4	-10.9	-1
Professional activity rate *** in %	52.7	96.3	14	-0.6	1
Economic burden rate (non-working age population per 100 working age population)****	61.5	106.9	4	-0.4	0
Registered unemployment rate (as of Dec.)****	22.0	116	6	0.5	0
Average monthly gross wages and salaries in PLN	1992	87.6	12	-1.6	-1
Area of legally protected areas in %	61.9	190.5	1	36.1	2

\* in 2003

\*\* changes in the methodology of calculating the number of people employed in agriculture since 2002 were disregarded

\*\*\* changes in the years 2001-2004

\*\*\*\* the higher the position the worse the standing of the voivodship (negative phenomena indicator)

Source: CSO

## 14. Warmińsko-mazurskie voivodship

*High  
unemployment  
rate and high  
share of  
protected areas*

Warmińsko-mazurskie Voivodship belongs to the largest voivodships (4th position, 24,192km<sup>2</sup>), and in connection to the small population (1.4 million people) is characterised by half the average population density (59 persons per km<sup>2</sup>). The voivodship is located in the north-eastern part of the country and is one of the peripheral regions (with the exception of the western part), relatively less developed. It borders on the Russian Kaliningrad Oblast in the north. Among other voivodships it is distinguished by the high unemployment rate and significant share of protected areas (46.2% of the area, which much exceeds the national average). It does not diverge significantly from the average in terms of the urbanisation rate (97.7%). The capital city of the voivodship, Olsztyn, is a city with the population of about 174,000 people. Other large cities of the voivodship are: Elbląg (128,000), Elk and Ostróda.

Both income per capita (16,500 PLN), and the average monthly gross wage and salary (1,967 PLN) place the voivodship on distant positions in the country (13th and 15th respectively), while in both cases slight worsening of the position should be stressed (by 0.5-0.4 points).

The share of agriculture in generating income (4.4%, fifth position) is about 1.5 time the national average. The shares of industry and construction and market services are a bit lower than the national averages (93.4% and 91.7% of the average respectively), whereas the share of non-market services in generating income is higher by more than one fourth. In terms of automation of production lines in relation to the population, the region only slightly diverges from the average, while it is distinguished by the high growth of the indicator by 42.2 points.

*Low expenditures  
on investments  
and R&D*

Warmińsko-mazurskie Voivodship comes last but one in the country in terms of investment expenditures (less than 2,200 PLN per capita). Also expenditures on research and development activities are low (only 29.2% of the average, 12th position). However, although there is a perceptible growth of investment expenditures (by 15.1 percentage points), we find R&D expenditures stable at the low level.

There is almost half the number of commercial law companies per 1,000 population in the voivodship as compared to the Polish average, though companies with foreign capital are much more numerous there than in the remaining three eastern regions. Per one thousand population, 270.6 persons are employed (83.2% of the average), which gives the voivodship the last sixteenth position. The situation is a bit better in the sphere of professional activity (97.8% of the average, 11<sup>th</sup> position). In turn, from the point of view of economic burden, Warmińsko-mazurskie Voivodship comes in the middle of the scale (100.2% of the national average).

*The highest  
unemployment  
rate in the  
country*

The highest in the country (54% higher than the average) registered unemployment rate (29.2%) is a serious social problem. A significant proportion of unemployment, in particular the long-term one, is connected to the fall of State-Owned Farms, whose unqualified employees were not able to find employment in other sectors of the regional and national economy. The problem is especially severe in the areas bordering on the Kalinigrad Oblast. The difficult situation of the areas stricken with unemployment is slightly alleviated by the black economy and economic migration abroad.

The voivodship, located mostly on a vast lakeland, has a high potential for the development of tourism. In 2004, the number of people making use of accommodation in tourist buildings in Warmińsko-mazurskie Voivodship calculated per a number of population was 30% higher than the national average. However, low investment expenditures and poor connections with areas generating tourist traffic constitute an obstacle for the development of tourism. Tourist potential of the region is enriched by material resources connected to the history of the region.

Tabela 14. General characteristics of the voivodship (2004)

Warmińsko-mazurskie	2004 r.			1999-2004	
	Value	Poland =100	Position	Change in percentage points in relation to the national average	Change of position
Area in km <sup>2</sup>	24192	7.7	4	x	x
Population in thousands	14287	3.7	12	0	0
Population density (pop per km <sup>2</sup> )	59	48.4	16	-1.2	0
Urbanisation rate (proportion of population living in urban areas) in %	60.1	97.7	9	0.5	0
GDP per capita in PLN*	16504	77.2	13	-0.4	0
Gross Value Added* in:					
- agriculture in %	4.4	151.7	5	-16.6	-2
- industry and construction in %	28.2	93.4	12	-0.2	0
- market services in %	46.3	91.7	12	-0.5	0
- non-market services in %	21.1	128.7	3	4.6	0
Investment expenditures per capita in PLN	2165	68.6	15	15.1	1
Expenditures on R&D activities per capita in PLN	39	29.2	12	-0.9	1
Automated industrial lines per 10,000 population	2.53	98.7	9	42.2	7
Commercial law companies per 1,000 population	3.5	59.9	12	1.2	0
Employed persons per 1,000 population**	271	83.2	16	0.1	0
Professional activity rate *** in %	53.5	97.8	11	-0.2	2
Economic burden rate (non-working age population per 100 working age population)****	57.6	100.2	7	-1.2	0
Registered unemployment rate (as of Dec.)****	29.2	154	1	-17.3	0
Average monthly gross wages and salaries in PLN	1967	86.5	15	-0.4	0
Area of legally protected areas in %	46.2	142.2	4	-21.1	-2

\* in 2003

\*\* changes in the methodology of calculating the number of people employed in agriculture since 2002 were disregarded

\*\*\* changes in the years 2001-2004

\*\*\*\* the higher the position the worse the standing of the voivodship (negative phenomena indicator)

Source: CSO

## 15. Wielkopolskie voivodship

Wielkopolskie Voivodship, located in the western part of the country, makes use of the availability of important transport routes from east to west and from north to south. For centuries it has belonged to the best developed regions of Poland. The capital city of the voivodship, Poznań, belongs to the key development centres of the country. The voivodship with the area of 29,826km<sup>2</sup> is the second large (after Mazowieckie Voivodship); whereas in terms of population (around 3.4 million) it is number three in the country. Population density is lower than the average (it amounts to 113 persons per km<sup>2</sup>), which is connected to the vastness of sparsely populated areas of the marshy valley of Noteć and Piła (in the northern part of the voivodship). Urbanisation rate is a little below the average, despite the relatively dense network of cities.

Income per capita (almost 22,300 PLN) is higher by 4.2% than the average and is inferior only to Mazowieckie and Śląskie Voivodships. In terms of the average monthly gross wage and salary (2,095 PLN, that is 92.2% of the average), Greater Poland comes sixth (as a result of the relative decrease by 1.0 percentage point).

*One of the best  
developed  
regions  
of the country*

*Modern and  
competitive  
agriculture*

Gross Value Added is generated especially in market services (45.9%) and industry and construction (34.3%), which gives the region the high second position in Poland. Non-market services generate 15% of the GAV (14<sup>th</sup> position in the country). Relatively much (4.8%) of the Gross Value Added is generated by agriculture, which, however, against the background of the country, is distinguished by modernity and competitiveness. Industry automation rate in relation to the population belongs to the highest in the country (3<sup>rd</sup> position), yet it shows a decreasing tendency.

Wielkopolskie Voivodship concentrates significant foreign capital engaged in Poland.



Wielkopolskie Voivodship is characterised by high investment expenditures per capita (3,800 PLN, number two in the country). In that context, the region's position in terms of expenditure on research and development (110.8 PLN per capita) is a bit lower (fifth). In both cases the expenditures are relatively growing, yet more on total investments, rather than on research and development.

*Very good  
economic  
activity rates*

The voivodship has better (and growing) economic activity rates than the rest of the country. Saturation with commercial law companies is greater than the average, there are 10.7% more employed persons per 1,000 population. Also the professional activity rate is higher than the average (by 4.6%), which means the second position in Poland. The level of economic burden is not distance from the national average (97.4%) and decreases.

Unemployment rate reaches 15.9%, which a relatively advantageous situation at the scale of the country.

Greater Poland, like each vast region, is relatively territorially differentiated, both in terms of economy, wildlife and culture. Legally protected areas constitute 31% of the area of the voivodship, while areas particularly attractive in terms of wildlife can be found in the western and northern part of the voivodship. The eastern part of the voivodship is less saturated with historic buildings, which are aplenty in the central areas (Poznań, Kórnik, Gniezno and others).

Both the economic structure, and the advantageous location, in connection with the culture of the region, create favourable conditions for development in the long run.

Tabela 15. General characteristics of the voivodship (2004)

Wielkopolskie	2004 r.			1999-2004	
	Value	Poland =100	Position	Change in percentage points in relation to the national average	Change of position
Area in km <sup>2</sup>	29826	9.5	2	x	x
Population in thousands	33653	88	3	0	0
Population density (pop per km <sup>2</sup> )	113	92.6	9	2.3	2
Urbanisation rate (proportion of population living in urban areas) in %	57.3	93.2	11	0.2	0
GDP per capita in PLN*	22256	104.2	3	-1.0	0
Gross Value Added* in:					
- agriculture in %	4.8	165.5	4	2.1	0
- industry and construction in %	34.3	113.6	2	4.5	2
- market services in %	45.9	90.9	13	-0.6	0
- non-market services in %	15.0	91.5	14	2.7	0
Investment expenditures per capita in PLN	3800	120.4	2	17.5	1
Expenditures on R&D activities per capita in PLN	111	82.0	5	9.9	1
Automated industrial lines per 10,000 population	2.66	103.8	8	-14.5	-4
Commercial law companies per 1,000 population	5.8	101.0	5	1.0	1
Employed persons per 1,000 population**	360	110.7	2	7.4	4
Professional activity rate *** in %	57.2	104.6	2	2.4	3
Economic burden rate (non-working age population per 100 working age population)****	56.0	97.4	11	-2.7	-3
Registered unemployment rate (as of Dec.)****	15.9	84	14	3.5	-1
Average monthly gross wages and salaries in PLN	2095	92.2	6	-1.0	0
Area of legally protected areas in %	31.0	95.3	9	-1.0	-1

\* in 2003

\*\* changes in the methodology of calculating the number of people employed in agriculture since 2002 were disregarded

\*\*\* changes in the years 2001-2004

\*\*\*\* the higher the position the worse the standing of the voivodship (negative phenomena indicator)

Source: CSO

## 16. Zachodniopomorskie voivodship

Zachodniopomorskie Voivodship is located in the north-western part of the country and covers the area of the lower course of the Oder River, the coast of the Baltic Sea and the vast lakeland. Because of the location on the border with Germany, especially the capital city of the region, Szczecin, is well connected with Berlin and Rostock (better than with the rest of the country). The seaports of Szczecina and Świnoujście belong to the most important port complexes on Baltic.

*Region well connected to Berlin*

Zachodniopomorskie Voivodship covers the area of 22,896km<sup>2</sup>, which makes it the fifth large in the country. It is inhabited by a relatively low number of people: 1.7 million (11<sup>th</sup> position). Urbanisation rate amounts to 69.3%, which gives the voivodship a high third position. The capital of the voivodship has 412,000 inhabitants.

The value of GDP per capita in Zachodniopomorskie Voivodship amounts to 20,400 PLN (sixth place in the country). Average monthly gross wage and salary is 2,069 PLN, which means the seventh position in Poland.

Added value of Zachodniopomorskie Voivodship consists mainly of market services (54.0% of the GAV, which gives a high second position) and less developed industry and construction (24.3%; 15<sup>th</sup> position in the country). A relatively small proportion (18.3%) of the regional GAV is accounted for by non-market services, while agriculture accounts for 3.5% (eighth place). Modernity of the industry measured by the number of automated production

lines per population gives the voivodship the 13<sup>th</sup> position, yet there is a growing tendency (by 2.8 percentage points in the discussed period).

Zachodniopomorskie Voivodship takes the sixth place in terms of investment expenditures per capita (2,900 PLN), while the expenditures grew steeply (by 12.4 points). In terms of expenditures on the research and development sphere, the situation is less advantageous (37.9 PLN per capita), which gives the thirteenth position with a clear downward tendency (by 5.6% points).

*Areas of the former State-Owned Farms with high structural unemployment are a problem*

The voivodship has quite a good position (fourth) in terms of saturation with commercial law companies. Not many, because only 280.9 persons work out of 1,000 population (13<sup>th</sup> position, with a slight tendency to improve: 1.2 points). Professional activity rate (54.3%, ninth position, with a slight upward tendency) and economic burden rate (53.7%) – give the voivodship the last but one position in the country. The phenomena are also reflected in the sphere of unemployment, the rate of which amounts to 27.5%, yet it should be borne in mind that unemployment is of structural nature and is burdened with many negative effects in the social area in the numerous in the region, but sparsely populated areas of the former State-Owned Farms.

Protected areas cover a little more than 20% of the area, which gives the voivodship the 14<sup>th</sup> position in the country. The region has considerable and differentiated natural values and historic buildings, attracting tourists mainly to the areas near the German border (also to Szczecin) and to the seaside, where the transport and tourist infrastructure is quite well-developed. The problem of the south-eastern part of West Pomerania is its peripheral character in comparison to Szczecin and other agglomerations of the country and transport systems.

Tabela 16. General characteristics of the voivodship (2004)

Zachodniopomorskie	2004 r.			1999-2004	
	Value	Poland =100	Position	Change in percentage points in relation to the national average	Change of position
Area in km <sup>2</sup>	22897	7.3	5	x	x
Population in thousands	16949	4.4	11	0	0
Population density (pop per km <sup>2</sup> )	74	60.7	13	-0.8	0
Urbanisation rate (proportion of population living in urban areas) in %	69.3	112.7	3	-0.1	0
GDP per capita in PLN*	20357	95.3	6	-4.8	0
Gross Value Added* in:					
- agriculture in %	3.5	120.7	8	6.1	1
- industry and construction in %	24.3	80.5	15	-10.8	-2
- market services in %	54.0	106.9	2	3.8	0
- non-market services in %	18.3	111.6	8	4.1	3
Investment expenditures per capita in PLN	2903	92.0	6	12.4	3
Expenditures on R&D activities per capita in PLN	38	28.0	13	-5.6	-1
Automated industrial lines per 10,000 population	182	71.1	13	2.8	-1
Commercial law companies per 1,000 population	6.2	108.3	4	-4.2	-1
Employed persons per 1,000 population**	281	86.4	13	1.2	2
Professional activity rate *** in %	54.3	99.3	9	1.2	2
Economic burden rate (non-working age population per 100 working age population)****	53.7	93.4	15	-0.1	0
Registered unemployment rate (as of Dec.)****	27.5	14.5	2	6.6	0
Average monthly gross wages and salaries in PLN	2069	91.0	7	-2.3	-2
Area of legally protected areas in %	20.7	63.6	14	1.6	0

\* in 2003

\*\* changes in the methodology of calculating the number of people employed in agriculture since 2002 were disregarded

\*\*\* changes in the years 2001-2004

\*\*\*\* the higher the position the worse the standing of the voivodship (negative phenomena indicator)

Source: CSO

Table 17. General characteristics of the voivodships (2004)

	Dolnośląskie	Kujawsko-pomorskie	Lubelskie	Lubuskie	Łódzkie	Małopolskie	Mazowieckie	Opolskie	Podkarpackie	Podlaskie	Pomorskie	Śląskie	Świętokrzyskie	Warmińsko-mazurskie	Wielkopolskie	Zachodniopomorskie
Area in km <sup>2</sup>	19948	17970	25114	13989	18219	15190	35566	9412	17844	20187	18293	12331	11708	24192	29826	22896
Population in thousands	2893.1	2068.3	2185.2	1009.2	2587.7	3260.2	5146.0	1051.5	2098.0	1202.4	2194.0	4700.8	1288.7	1428.7	3365.3	1694.9
Population density (pop per km <sup>2</sup> )	145	115	87	72	142	215	145	112	118	60	120	381	110	59	113	74
Urbanisation rate (proportion of population living in urban areas) in %	71.0	61.7	46.7	64.2	64.7	49.7	64.7	52.7	40.5	59.1	67.5	78.8	45.5	60.1	57.3	69.3
GDP per capita in PLN*	21986	19169	15019	18396	19498	18522	32722	17173	15436	16105	20929	23718	16911	16504	22256	20357
Gross Value Added* in:																
- agriculture in %	2.1	4.1	5.3	2.0	2.7	2.1	2.5	4.2	2.3	6.2	2.3	1.0	5.8	4.4	4.8	3.5
- industry and construction in %	33.6	30.7	24.6	30.6	32.4	29.5	23.5	32.5	33.2	25.1	30.6	38.4	30.0	28.2	34.3	24.3
- market services in %	47.7	47.8	47.0	48.8	47.8	50.2	61.0	43.8	43.7	46.3	50.4	47.5	44.6	46.3	45.9	54.0
- non-market services in %	16.6	17.4	23.1	18.6	17.1	18.3	13.0	19.5	20.8	22.5	16.6	13.0	19.5	21.1	15.0	18.3
Investment expenditures per capita in PLN	3597	2254	1848	2728	2803	2821	5309	2212	2345	2320	3042	3050	2325	2165	3800	2903
Expenditures on R&D activities per capita in PLN	100	58	77	23	116	198	440	28	50	43	113	86	14	39	111	38
Automated industrial lines per 10,000 population	2.72	2.24	1.51	3.22	2.18	2.78	3.21	1.58	3.04	1.51	2.39	2.85	2.85	2.53	2.66	1.82
Commercial law companies per 1,000 population	6.2	4.3	3.1	5.8	4.2	4.7	11.7	4.1	2.7	2.9	7.8	5.2	3.0	3.5	5.8	6.2
Employed persons per 1,000 population**	303	310	332	280	343	310	394	277	303	323	299	317	333	271	360	281
Professional activity rate *** in %	53.5	56.3	57.2	54.8	55.0	56.9	55.8	52.3	53.8	55.8	53.3	51.2	52.7	53.5	57.2	54.3
Economic burden rate (non-working age population per 100 working age population)****	53.6	56.8	62.9	54.3	57.5	60.7	58.4	56.0	62.9	63.7	56.5	53.7	61.5	57.6	56.0	53.7
Registered unemployment rate (as of Dec.)****	22.4	23.6	17.8	25.6	19.5	15.0	14.7	20.0	19.1	16.1	21.4	16.9	22.0	29.2	15.9	27.5
Average monthly gross wages and salaries in PLN	2220	1988	2000	1968	1993	2098	2910	2068	1941	2005	2231	2345	1992	1967	2095	2069
Area of legally protected areas in %	18.1	32.4	22.8	39.3	16.4	58.9	29.6	27.1	47.5	31.9	32.6	22.0	61.9	46.2	31.0	20.7

\* in 2003

\*\* changes in the methodology of calculating the number of people employed in agriculture since 2002 were disregarded

\*\*\* changes in the years 2001-2004

\*\*\*\* the higher the position the worse the standing of the voivodship (negative phenomena indicator)

Source: CSO



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