

**P O L A N D**

**Preliminary  
National Development Plan**

**2000-2002**

**Ministry of Economy**

**Warsaw, December 1999**



The Preliminary National Development Plan was prepared by the Ministry of Economy in co-operation with the Ministry of Labour and Social Policy and other ministries. Its draft version was submitted to the European Commission by the National Aid Coordinator in October 1999. The final version of the Preliminary National Development Plan was approved by the Committee of European Integration on 22<sup>nd</sup> December, 1999.

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**ANNEX 1 MAPS AND STATISTICAL TABLES**

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# 1. Introduction

The Government of the Republic of Poland started preparing the National Development Plan in 1999. The Plan shall be the basis for agreeing the Community Support Framework and multiannual operational programmes binding during the initial years after Poland's accession to the European Union. The first full version of the Plan shall be ready in 2001. Provisions of the Plan shall be based mainly on medium-term strategies prepared for basic aspects of the European Union's cohesion policy (regional policy, agriculture and rural areas, fisheries, labour market and education, transport, environmental protection). First versions of those strategies (apart from fisheries) are ready.

The National Development Plan shall include proposals for activities and utilisation of the Community's assistance aimed at reducing socio-economic disparities between Poland and the European Union countries, both in relation to individual economy sectors and by regions. Partners from the European Union countries, acting under the Special Preparatory Programme for Structural Funds (Phare SPP 1998) will be engaged in the formulation of the Plan. At each stage of the preparation, the Plan shall be subjected to extensive social consultations, which shall make it possible for public authorities, employers' representatives, employees, social organisations and non-associated groups to take part in the process of its formulation.

Owing to introduction of new financial pre-accession instruments in 2000 it was necessary to elaborate the preliminary National Development Plan as a strategic document for the measures implemented in the regions under Phare – social and economic cohesion. Its task is to **recognise the largest development gaps between Poland and the Community, and to define on this basis the most relevant priorities of development in the field of socio-economic cohesion during the pre-accession period, in accordance with Objective 1 rules**. The Preliminary Plan also draws a general financial perspective of structural activities co-financed during the period 2000-2002 with pre-accession funds from the resources of ISPA, SAPARD and Phare programmes. The scope of activities will be limited to those co-financed from the Structural Funds and the Cohesion Fund in the European Union.

The Preliminary Plan does not set out proposals for projects implemented under the socio-economic cohesion policy co-financed from the Union sources. These projects and their detailed descriptions are included in the SAPARD operational programme, financial proposals

for the ISPA programme in the field of environmental protection and transport, and in the financial proposal of the Phare programme.

Provisions of the Preliminary National Development Plan are the elaboration of the provisions of the Accession Partnership and National Programme of Preparation for Membership in the European Union referring to socio-economic cohesion.

Apart from the provisions of those two documents, planning documents setting out the directions of Poland's socio-economic policy for the next few years, which were accepted by the Government of the Republic of Poland in 1999, are the basis for the preparation of the Preliminary Plan:

1. "Strategy of public finance and economic development, Poland 2000-2010" (April 1999);
2. "Concept of Poland's medium-term economic development by 2002" (June 1999).

When drawing up the Preliminary Plan, the following documents have been also taken into consideration:

3. "The concept of Poland's spatial development policy", a document referring to the European Spatial Development Perspective, approved by the government in October 1999
4. "Assumptions for the National Development Plan until 2006" (approved by the Council of Ministers' Committee for Regional Policy and Sustainable Development in June 1999)

Sectoral programmes in force in the years 2000-2002 concerning mining, iron and steel industry restructuring, military industry restructuring and governmental policy towards the SME sector have been also taken into account. Where work was sufficiently well developed, the provisions of preliminary versions of voivodship regional strategies as well as sectoral strategies for the years 2000-2006, were taken into consideration. Account was especially taken of the National Strategy of Regional Development, National Strategy of Employment and Human Resources Development, National Strategy of Agriculture and Rural Development, National Strategy of Transport Sector Development, and National Strategy of Environmental Protection.

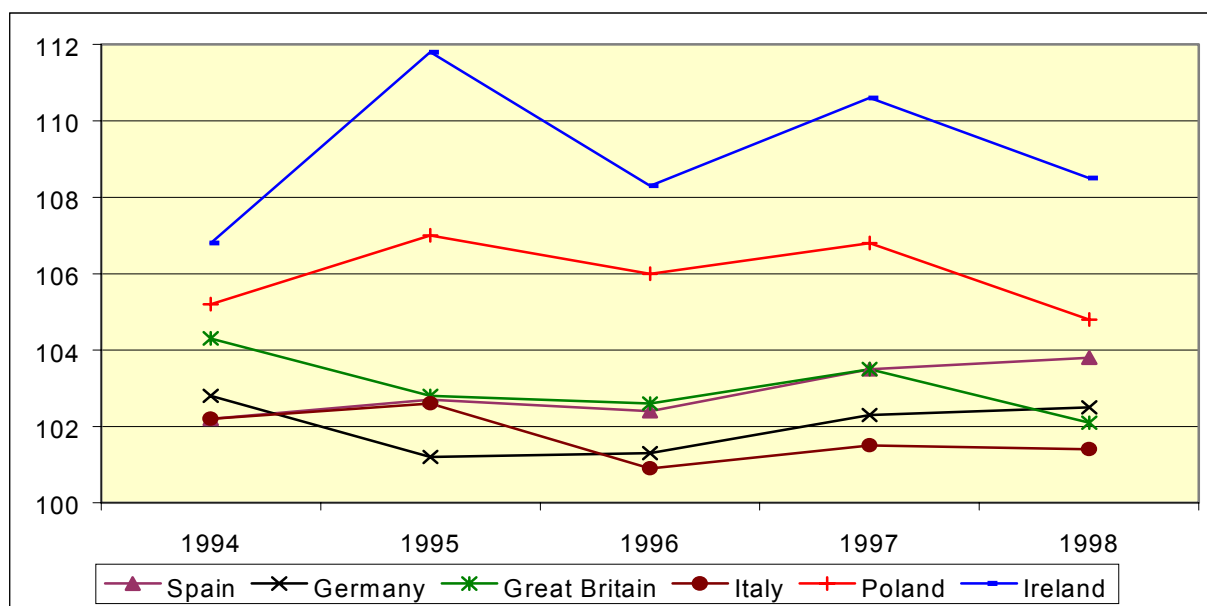
## 2. Basic conditions and problems of development

To define priorities of social and economic cohesion policy in the pre-accession period, it is necessary to analyse the country's current socio-economic situation in accordance with Objective 1 methodology with a view to disparities between Poland and the European Union as well as internal disparities.

### 2.1 Macroeconomic situation of Poland vs. European Union

The Polish economy, after the period of recession at the beginning of the nineties, has been characterised by a high rate of growth over the past five years (4,8% in 1998), which has exceeded the average rate of growth EU approximately 2.5 times. After the growth rate slowed down in 1998 and 1999, in common with all candidate countries, a growth rate exceeding 5% of GDP is expected from the year 2000 onwards.

**Graph 1. Gross Domestic Product in selected European countries (previous year = 100)**

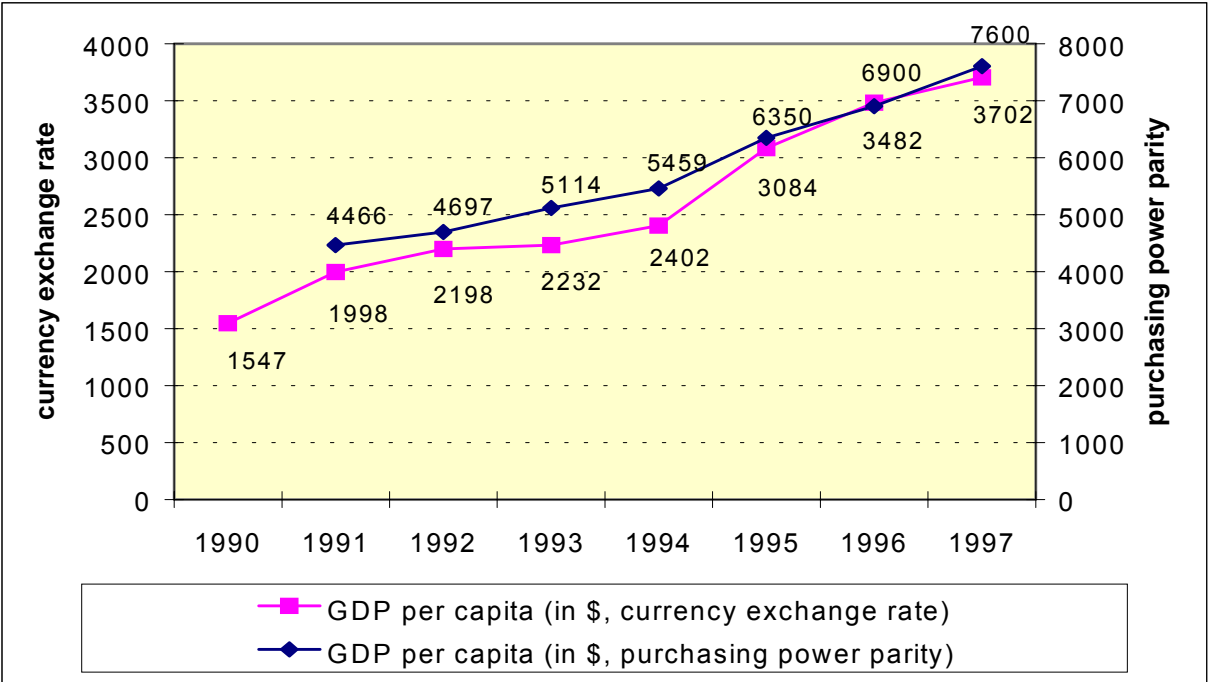


*Source:* Report on the state of Polish economy in 1998, Ministry of Economy, Warsaw 1999

Despite such achievements, the difference in the level of development between Poland and the EU is still considerable. GDP per capita in Poland, measured according to purchasing power parity was 7.6 thousand USD in 1997 (3.7 thousand USD according to exchange rate). However, this constituted only about 38% of the average level of GDP per capita in the European Community, measured according to purchasing power parity – for comparison, in

1995, the share was 30%. The development gap between Poland and the least developed countries of the European Union, i.e. Greece and Portugal, is also large – the average level of GDP in those countries, in relation to the EU average, measured according to purchasing power parity, was 68,9% and 72,7%, respectively in 1998. The economic growth of these countries is 1-1,5 percentage points lower than that of Poland in recent years.

**Graph 2. Gross Domestic Product per capita in Poland (1990-97)**



Source: Ministry of Economy’s calculations

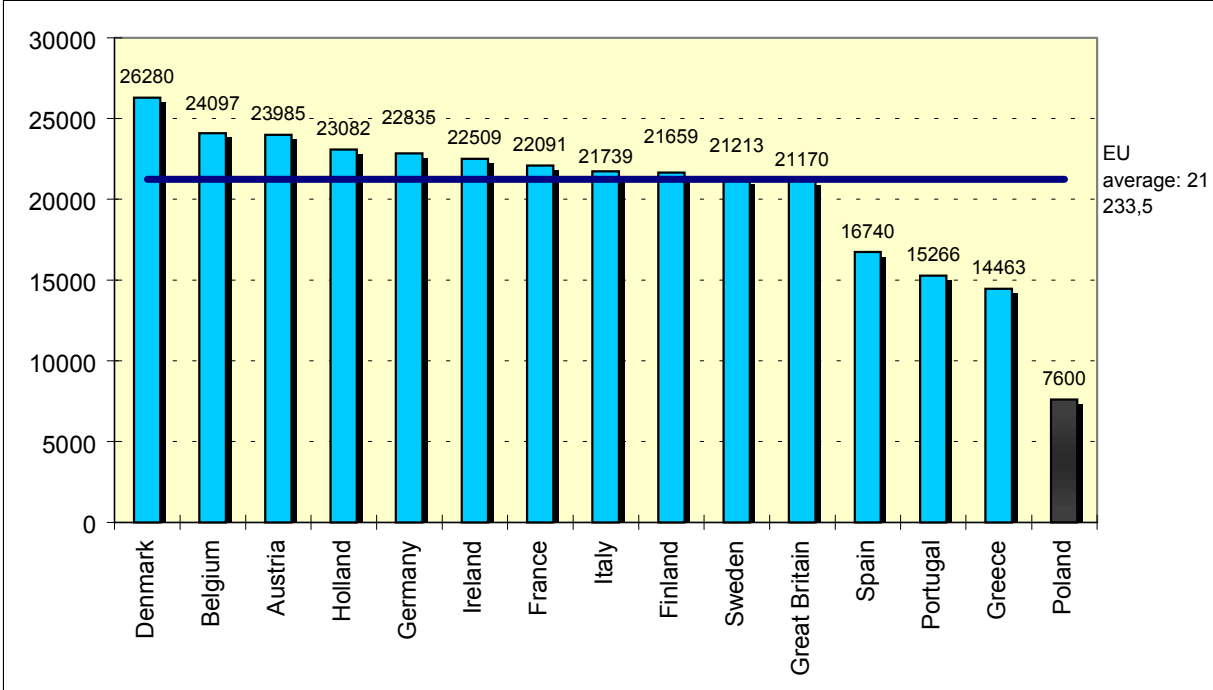
The economic basis on which GDP is created (value added) in Poland differs from that found in the EU countries. Although their share is decreasing, the proportion of agriculture and forestry in the generation of GDP in Poland is still very high (4,8% in 1998 vs. 2.3% in the EU), however lower than in Portugal (5%) and Greece (16%). At the same time, the level of employment in that sector is very high – more than 27 % of all employed in the national economy, as compared to about 5.5% for the EU. The share of industry and the building sector in the generation of value added in Poland is 36,4% (approx. 31 % in the EU), and in the case of services, about 59% (approx. 66% in the EU). The private sector produces about 62,8% of value added (1997) and, at the same time, employs about 70% of work force.

Over the past five years, the value of investment outlays have increased very significantly (from 2,4% in 1993 to 22,1% in 1997), being several times faster than the increase of GDP. Investment share in GDP in 1998 amounted to 21%, whereas in 1996 it was only 17%. Gross capital formation share in GDP is higher than in the majority of EU

countries (26,4% in 1998 vs. 14-25% in EU), nevertheless it is too low when set against the huge development needs of Polish economy.

The share of expenditure on research and development (0.72% of GDP compared to 2% in the EU) is especially unfavourable in Poland. Also expenditures in the field of development and modernisation of transport infrastructure and higher education are relatively low (despite the systematic real growth).

**Graph 3. Gross Domestic Product per capita in Poland and EU countries in 1997 (in \$, purchasing power parity).**



Source: Statistical Yearbook 1998, Central Statistical Office, Warsaw 1998.

Poland’s share in world trade remains low and amounts to about 0.7% in terms of imports and 0.5% in terms of exports (1998), and the commodity structure is unfavourable. The share of exports in the GDP constituted about 24% in 1998, while in the EU from 16 to 75%. The European Union is the largest commercial partner of Poland, which accounts for 68% of exports and more than 65% of imports. The deficit of the current account amounted to 4.3% of GDP in 1998. At the same time, foreign capital flows to Poland in a wider and wider stream. The value of foreign investments has been growing each year and it amounted to over 30 billion USD as of the end of 1998 (in 1998 alone, it amounted to 9,6 billion USD). Nevertheless, the rate per capita is still lower than in Hungary, the Czech Republic and Hungary.

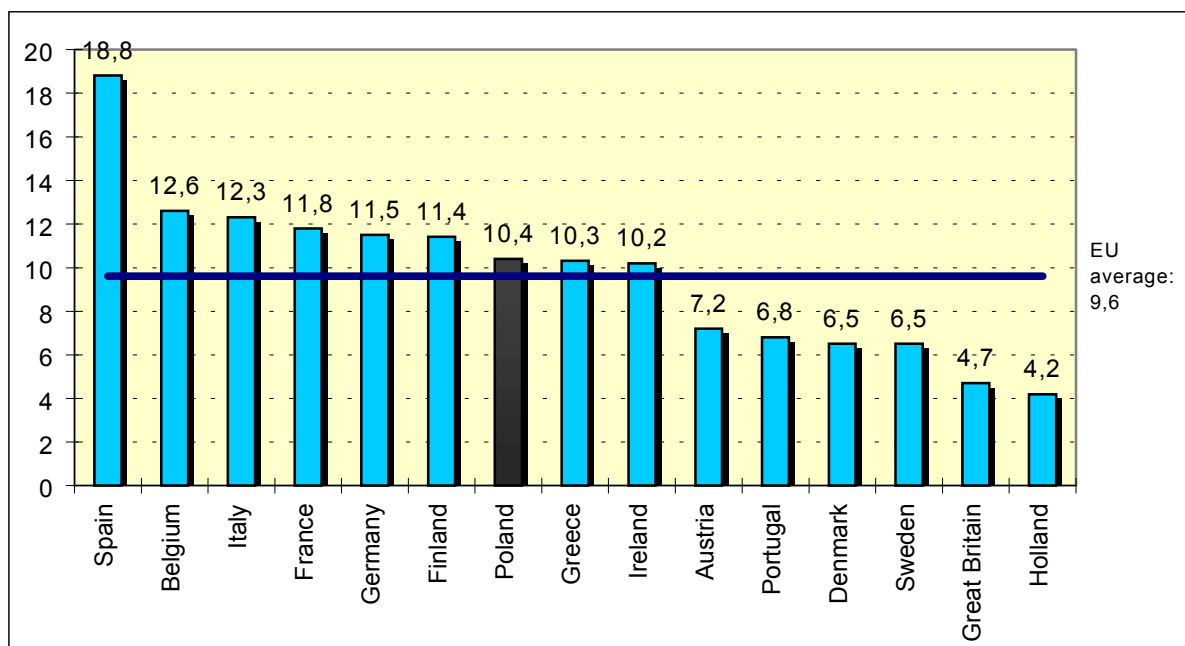
The rate of inflation has been steadily decreasing. However, its value 8,6% at the end of 1998 significantly exceeded the rates in individual Member States. In 1998, the level of budget deficit in Poland was 2,6% of GDP (compared to about 1,5% in the EU), and public debt about 50% of GDP (in the EU, approx. 71,2%).

1.83 million people were unemployed at the end of 1998, which means that the level of unemployment, 10.4%, is close to the Union average. In relation to 1993, when the unemployment reached a maximum of 16,4%, this means a drop by 6 percentage points. In recent months inflation and unemployment rates have increased.

Young people – up to 34 years old – constitute the largest group of unemployed (about 58%), and more than 40% of all unemployed remained without work for a year or longer (in the EU, about 50%). Due to low productivity in agriculture, it is estimated that in rural areas there is extensive hidden unemployment – perhaps up to 1 million people.

Simulation of basic macroeconomic proportions is presented in the annex 2.

**Graph 4. Unemployment rate in Poland and EU in 1997**



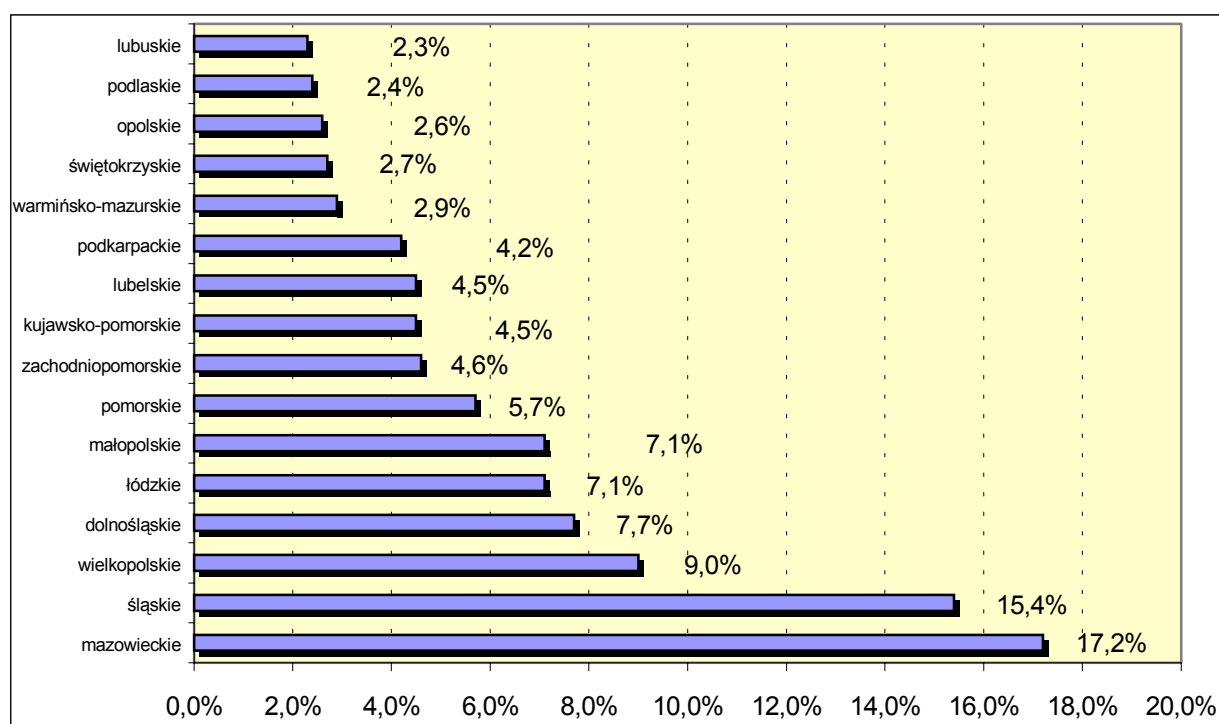
Source: Statistical Yearbook 1998, Central Statistical Office, Warsaw 1998.

## 2.2 Interregional disparities

The process of transformation of the economy, which started in Poland at the beginning of the nineties, considerably hastened the polarisation of regions. Multi-functional regions, where scientific centres and personnel with the best qualifications are located, with relatively good infrastructural connections and well-developed business environment institutions, became beneficiaries of development processes. On the other hand, in those voivodships dominated by mining industries, the defence industry and agriculture, especially where inefficient state-owned farms operated, economic development is slower and encounters more serious barriers of a structural nature.

*Population* of Poland in 1997 reached 38.7 million people and was the sixth largest population of Europe. 62 % of Poles live in cities, and the most urbanised voivodships are: Śląskie (Upper Silesia), Dolnośląskie (Lower Silesia), Zachodniopomorskie and Pomorskie; relatively the least urbanised: Podkarpackie, Świętokrzyskie, and Lubelskie. There is an average of 106 women per each 100 men and this level has been maintained for the past several dozen years. Density of population in the nineties stabilised at about 123 –124 people per 1 km<sup>2</sup> (this exceeds slightly the EU average of 116 people / km<sup>2</sup>).

**Chart 5. Percentage share of voivodships in gross value added in 1996**



*Source:* Estimation of socio-economic situation in new voivodships – GCSS, 1999

*The level of economic development* measured in GDP per capita, in 1997, shows considerable regional differentiation: it has reached the highest level in Mazowsze Voivodship – 17.3 thousand zloty (i.e. 37% more than the national average), and the lowest – in Świętokrzyskie Voivodship - 8 thousand zloty (i.e. 37% less than the national average). The high level of development is also recorded in Śląskie and Wielkopolskie voivodships. The area with the lowest GDP level is currently formed by five voivodships: Podkarpackie, Świętokrzyskie, Lubelskie, Podlaskie, and Warmińsko-Mazurskie, concentrated in the eastern and south-eastern part of the country. The ratio of the maximum and minimum value of GDP per capita was 1: 2,1. In the European Union countries, spread of interregional differences at the level of the NUTS 2 units, which are closest to Polish voivodships in terms of size, is 1:2 on average.

### **Infrastructure**

*Railway network* has been systematically shortened (by 11,5% in the years 1991-1998). It consists of 23,210 km of tracks, which means the density of railway lines is approx. 7 km / 100 km<sup>2</sup> and exceeds the average for the European Union, i.e. approx. 5 km / 100 km<sup>2</sup>. There are significant disparities in the density of railway lines between eastern and western Poland, which favour of the latter. Moreover, 95% of the network is in standard gauge, about half of which has been electrified. The main railway lines, especially those within the TEN, need modernisation and adjustment to the European standards. In the years 1991-1998 carriage of both goods and passengers has systematically decreased, by 27% and 49%, respectively.

*Road network* in Poland is well developed; the total length of roads is 364,3 thousand km, out of which more than 240 thousand km (67,1%) are hardened surface roads. The hardened surface road density ratio is 78,2 km / 100km<sup>2</sup> and constitutes 67% of the EU average (116 km / 100 km<sup>2</sup>). The length of motorways (264 km) per 1000 km<sup>2</sup> of surface is only about 0.85 km, while the EU average is approx. 16 km. The share of hardened surface roads is relatively low in the northern Poland (Warmińsko-Mazurskie, Pomorskie, and Podlaskie Voivodships). The situation is the most favourable in southern regions of Poland (Śląskie, Małopolskie, and Podkarpackie Voivodships). A large part of the road network is however of low quality and requires modernisation or a surface upgrade.

*Air transport* services in Poland are provided via 12 domestic airports. In the years 1991-1998 substantial increases in transport activity have been observed. In 1998 2632 thousand passengers were carried, i.e. 53,5% more than in 1990, of which 85% was on foreign routes. Airports in Warsaw, through which 90% of passengers travelled, Krakow, Poznań, Wrocław,

Katowice and Gdańsk were the most significant ones in terms of number of passengers served.

*Water transport* on inland waterways does not play significant role in the Polish transport system. The main barriers to its development are the limited capability of water routes for river transport and the obsolete fleet. Moreover, climatic conditions and low levels of water make this form of transport seasonal. In 1998, this method of transport was used to transport 955 thousand people (3,8 times less than in 1990) and 9376 thousand tonnes of cargo (4,3% less than in 1990).

*Sea transport* services are provided via a network of commercial sea ports in Gdańsk, Gdynia, Kołobrzeg, Szczecin, and Świnoujście. Maritime transport of goods has decreased in the years 1990-1998. In 1998 25,362 thousand tonnes of cargo were transported, i.e. by 11% less than in 1990. In 1998, 50,996 thousand tonnes were loaded and unloaded at Polish ports, which means it had grown by over 8% in comparison with 1990. Over the same period, the loading and unloading of transit cargoes increased from 5,022 thousand tonnes in 1990 to 6,430 thousand tonnes in 1998.

*Telecommunications* In recent years the telecommunications sector has developed rapidly. Telephone density has increased from 78 subscribers per 1000 inhabitants in 1989 to 228 subscribers in 1998. However, this is less than 50% of the 1993 average for the European Union (461 telephones per 1000 inhabitants). The number of mobile telephone subscribers, on the other hand, was 812 thousand in 1997 (i.e. 21 telephones per 1000 inhabitants) and now it is nearing 2 million. Number of mobile telephony subscribers per 1000 inhabitants amounted to 49,8 in 1998, whereas the European average amounted to 131,5. The fixed telephone system in Poland varies regionally. The best access to telecommunications is in Mazowieckie voivodship, the worst in Podkarpackie, Świętokrzyskie, and Śląskie voivodships. Poland has 40,8 Internet users per 1000 inhabitants.

*Environment* Despite relatively high indices of pollution of environment, its condition, due to the reduction of emissions from the beginning of the nineties, with slight changes in the years 1995-1997, has been improving systematically. In 1998, 9882,2 hm<sup>3</sup> of waste water was discharged into surface waters, out of which 2840,6 hm<sup>3</sup> required treatment. More than 40% of untreated sewage was produced in three voivodships: Śląskie, Małopolskie, and Mazowieckie. The situation was similar in the case of emissions of atmospheric pollutants (particulates and gases), out of more than 2.4 million tonnes in 1997 (among which particulates were neutralised in 98% and gases in nearly 35%), over 56% was produced by

Śląskie, Łódzkie, Małopolskie, and Mazowieckie voivodships. Lubelskie, Podlaskie, and Warmińsko-Mazurskie voivodships produce relatively the least pollution both in terms of sewage as well as gases and dusts. Regional differentiation is marked in the water supply and sewerage systems. Eastern and north-eastern part of Poland, i.e. Lubelskie, Podlaskie, and Warmińsko-Mazurskie have relatively the lowest density of such systems, and Śląskie, Kujawsko-Pomorskie, Łódzkie, and Małopolskie, the highest. Devastated and degraded land, requiring rehabilitation, is another serious problem; there are 75.6 thousand ha of such land, while only 3 thousand ha are rehabilitated each year, of which about 2 thousand ha used for development.

*Health care* Availability of medical services in Poland, measured by the number of medical staff (doctors, dentists, chemists, nurses) as well as number of beds in hospital beds per 10 thousand inhabitants, is best in large agglomerations and cities. These indices, however, are characterised by relatively low regional differentiation and their level is close to the EU average. In 1997, there were 23.6 doctors in Poland (15.6 in UK; 24.8 in Portugal; 26.0 in Sweden); 4.6 dentists (1.5 in Portugal; 3.4 in Spain; 4.6 in Austria; 4.7 in Netherlands); 56.2 nurses (31.4 in Portugal; 33.1 in Greece; 41.3 in Spain; 50.6 in Austria) and 54.3 hospital beds in general hospitals (35 in Denmark; 33 in Ireland; 42 in Spain, 51 in Norway, 55 in Holland) per 10 thousand inhabitants. The ratio of pharmacies per 10 thousand inhabitants, reflects not only the availability of medicines but also, indirectly, the potential of medical personnel and pharmacists and does not vary significantly by regions either.

### **Economic potential**

*Industry* in Poland creates (together with the building sector) 36.4% of gross value added. Such voivodships as: Śląskie and Łódzkie have the largest share of sector II in value added; the lowest – Lubelskie and Podlaskie. Śląskie and Dolnośląskie voivodships had the highest level of employment in sector II (over 34%). Sold production of industry in Mazowieckie, Śląskie and Wielkopolskie voivodships amounted to 48,2% of total sold production of industry. By contrast, four voivodships with the lowest sold production of industry had production amounting to 8,5%. Despite recent improvements, the major problems of Polish industry include: low technical and technological level of many sections, low competitiveness, still high capital and energy consumption of production, insufficient progress in restructuring of so called difficult industries: mining, metal production, and defence industry. As regards the production of new and modernised products, in the years 1990-97, little progress was made in Poland. The share of production sold of new and

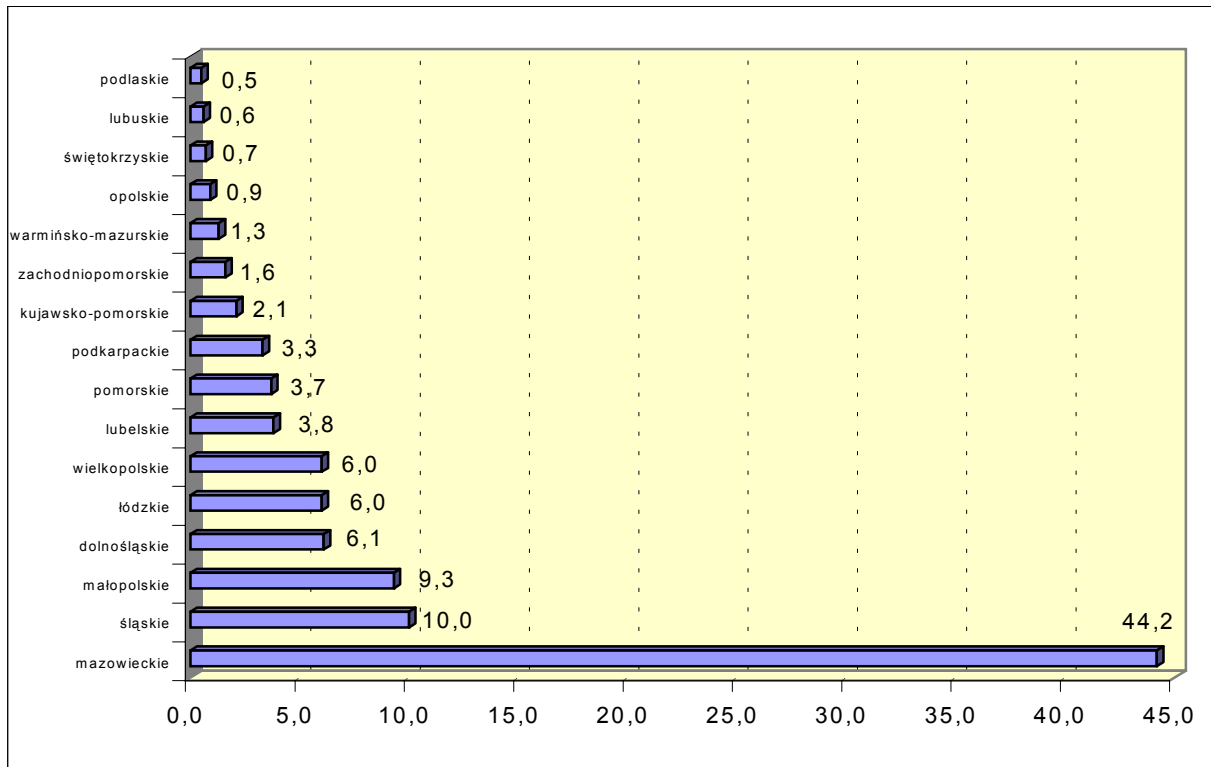
modernised products in total value of production sold went up from 3.0% in 1990 to 8.4% in 1996. Also the rate of change with regard to the share of high-tech products in total industrial production is also unsatisfactory. The total share of such products in the total value of production sold of industrial products (calculated at current prices) was only slightly higher in 1997 (10.4%) than in 1989 (10.3%). The share of exports of „high technology” products in 1996 in Poland constituted 11% of exports of processing industry products (approx. 40% in Netherlands and UK). The Polish proportion is close to the level in Greece and Portugal, at 12-13%. High-technology industry is concentrated in Mazowieckie voivodship.

*Agriculture* in Poland generates 4.8% of gross value added, and Lubelskie, Podlaskie, Wielkopolskie, Opolskie, and Warmińsko-Mazurskie voivodships account for the largest share. This sector shows a significant excess of employment, dispersion of farms, low effectiveness, and low level of yield of marketable agricultural produce. In 1997, despite the steady decrease in employment, as much as 27.4% of all employed worked in agriculture (almost four times as many as in the EU). A considerable part of individual farms operate only or mainly to satisfy the consumption needs of those families related to the particular farm – only 45.9% of farms produces mainly or only for sale; the most in the following voivodships: Kujawsko-Pomorskie, Podlaskie, Wielkopolskie, and Warmińsko-Mazurskie (above 60%), the least in Śląskie, Małopolskie, and Podkarpackie (around 20% and less). The highest number of individual farmers earning their living only from work done on their own farm was in Lubelskie, Podlaskie, and Świętokrzyskie voivodships, and the lowest, in Śląskie and Lubuskie voivodships. The average size of a farm was 8,2 ha of arable land and of individual farm 6,9 ha. The size of over 56,5% of Polish farms is between 1.01 – 4.99 ha, and only about 18% has more than 10 ha. Agriculture in south-eastern Poland is the most dispersed and the employment in agriculture is the highest in that region. The effect is especially low end production per employed person (below PLN 80 in 1996). The dispersal of production, and the poorly developed system of distribution of agricultural produce, insufficient market information, low professional qualifications, including qualifications in marketing, lack of strong groups of producers, are the basic barriers to the development of a modern agricultural sector in Poland.

*Research and development* The disparities regarding research and development sector between Poland and developed countries are similar to those in the socio-economic development. They refer to the level and proportions of financing, R&D institutional structure and its links with the economy. Expenditures on the research and development sector in

relation to GDP (0,72%) did not differ significantly from the level of expenditures in the many EU countries (Spain – 0,87%, Portugal – 0,61%, Greece – 0,47%). Share of budgetary resources on financing R&D in GDP (0,47%) is higher than in Ireland (0,32%) and comparable to its value in Portugal (0,48%), Spain (0,52%) and in Italy (0,53%)

**Chart 6. Investment in R&D in the years 1994-97 (in %, Poland = 100%)**



*Source: Assessment of socio-economic situation of new voivodships. GCSS, 1999*

For the last few years, the number of patent applications and utility patterns notified has been decreasing systematically. Also the percentage of enterprises which in the last three years introduced at least one innovation is lower than the EU average. In the years 1994-1996 it was 37.6% compared to the average of 50% in the EU. Due to the location of university and scientific centres, however, there is a natural significant disparity in the regional structure of expenditures on the R&D sector in Poland. More than 60% of funds used in the years 1994-97 for the „research and development” section was spent in Mazowieckie, Śląskie, and Małopolskie voivodships, the least, in Opolskie, Świętokrzyskie, Lubuskie, and Podlaskie voivodships.

*Privatisation* Similarly, the realisation of the process of ownership transformation is differentiated regionally and to a large extent depends on the number of state-owned enterprises functioning in the voivodships. Until the end of June 1999, the highest number of state owned enterprises included in the privatisation process was recorded in Śląskie (630),

Mazowieckie (533) and Dolnośląskie (456) voivodships, the lowest in Świętokrzyskie (138) and Podlaskie (141) voivodships.

*Development of the SME sector* is a characteristic phenomenon of recent years. The number of incorporated businesses and sole proprietorships has increased to more than 2 million, including almost 33 thousand companies with foreign capital. The number of businesses run by individuals and corporate entities per 1000 inhabitants was in Poland an average of 73.5 in 1997, and the highest level was reached by Mazowieckie, Zachodniopomorskie, and Dolnoslaskie voivodships – more than 82, while the lowest – below 60 – by Opolskie, Świętokrzyskie, Podkarpackie, and Lubelskie. The highest percentage of companies with foreign capital, which to a considerable extent determined the size of capital expenditures in the regions, was in Lubuskie, Zachodniopomorskie, Mazowieckie, Dolnoslaskie and Opolskie voivodships, the lowest in Lubelskie, Podlaskie, Podkarpackie and Swietokrzyskie ones.

Due to the specificity of this sector, including its extensive ability to adapt to quick market changes, small and medium enterprises constitute an opportunity for breaking through both deteriorating economic situation and local unemployment. The regional distribution of SMEs shows their concentration within large urban agglomerations and within regions with well developed and differentiated industry. In 1997, 22% of all small and medium enterprises were concentrated in the three most urbanised (former) voivodships: Łódź, Warsaw, and Katowice. Also the highest increase in the number of SMEs were in these regions, where they were already strongly concentrated, mainly Warsaw, Poznań, Katowice, Krakow, and Gdańsk agglomerations. In the years 1994-97, almost 1/3 of the increase in the number of SMEs was concentrated in those areas (i.e. 164 thousand). The level of development of entrepreneurship is lower in Opolskie, Podkarpackie, Podlaskie, and Warmińsko-Mazurskie voivodships.

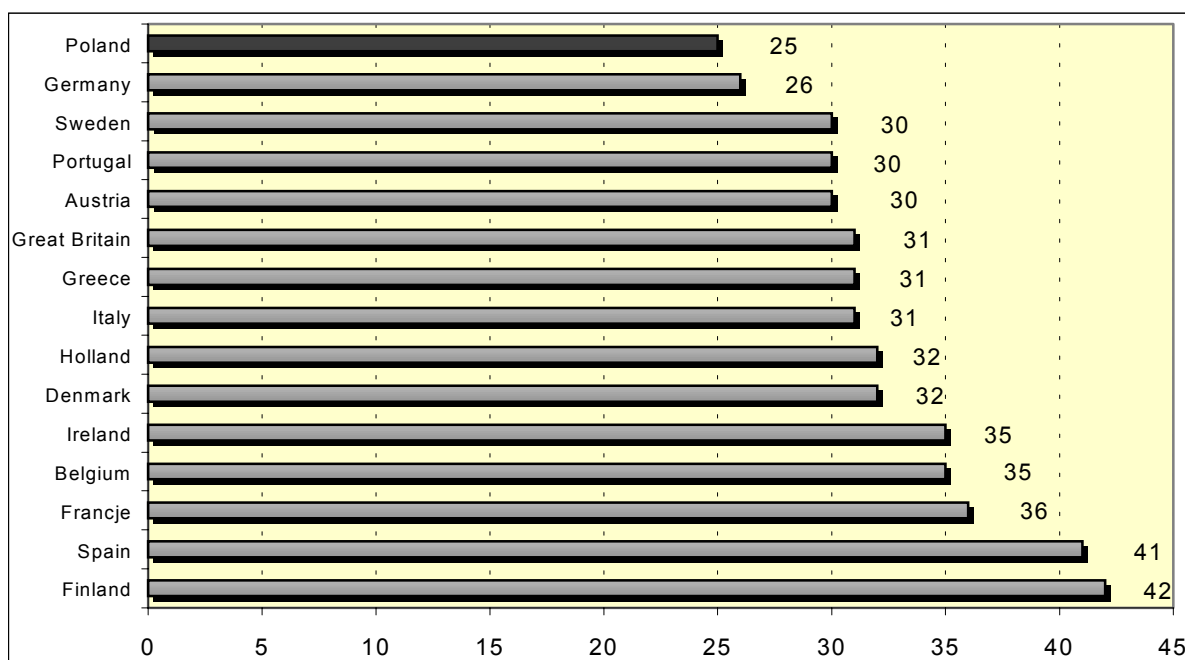
*Business environment institutions* Economic changes contributed to an intensive development of those institutions essential for the fulfilment of voivodships' economic potential and supporting their development. These institutions include firms providing financial services, insurance companies, advisory companies, and real estate agencies. The ratio of such companies per 10 thousand inhabitants varies by regions. Business environment institutions are the most numerous in areas which have the most extensive contacts with the abroad, including voivodships located along the German border: Dolnośląskie, Zachodniopomorskie, and Lubuskie, as well as Mazowieckie, while the situation is the least favourable in Świętokrzyskie, Lubelskie, and Podkarpackie voivodships.

*Tourism* The opening of borders has led to an increasing interest in Poland as an object of tourist, business, and commercial travel. Since 1990, there has been a fivefold increase in foreigners visiting Poland. The number of tourists using accommodation facilities has increased by almost half since 1990 and in 1998 amounted to approx. 15.8 million people. Małopolskie, Śląskie, Zachodniopomorskie, and Pomorskie voivodships, as well as Warsaw agglomeration were visited the most frequently. The availability of tourist facilities varies across regions. As regards higher class hotels (which are a significant measure of the level of development of the region), the density of such hotels is 10 times higher in Śląskie voivodship than in Podlaskie voivodship. As regards the number of hotels per 10 thousand km<sup>2</sup>, the situation is the most favourable in southern Poland: Śląskie, Małopolskie, and Dolnośląskie voivodships; the least, in Świętokrzyskie, Lubelskie, and Podlaskie voivodships. Low ratios from regions with large urban agglomerations (Mazowieckie, Pomorskie, Wielkopolskie, and Łódzkie) are the evidence of a significant shortage within that scope. Delays in development, as well as the quality and variety of services provided, are the basic challenges faced by tourism sector.

### **Human resources**

*Education* As little as 7% of society has higher education. However, the number of university graduates has been growing rapidly: by 260% over the years 1990-97. The level of education shows significant regional differentiation; people with higher education concentrate mainly in large urban agglomerations. The low level of education is a serious problem and a significant barrier to change in rural areas. In those areas, more than 40 % of people aged 15-24, and as much as 45% aged 40-49 has only primary education. A network of higher education institutions together with university teachers is not evenly distributed – it is concentrated in the largest cities. Mazowieckie, Zachodniopomorskie, and Małopolskie voivodships have the highest ratio of students per 10,000 inhabitants, Warmińsko-Mazurskie, Opolskie, and Podkarpackie – the lowest.

**Chart 7. Number of students per 1000 population in Poland and EU (1997)**



Source: Statistical Yearbook 1998, Central Statistical Office, Warsaw 1998.

*Employment and labour market.* Economic transformations in Poland have led to a change in the sector and branch structure of the employed. Generally, there has been an increase of the share of the services sector at the cost of sector I (agriculture and forestry) and sector II (industry and building). In 1997, 29.7% of all the workforce was employed in sector II, and 42.8% was employed in the services sector (majority, i.e. above 50%, in Zachodniopomorskie, Opolskie, Lubelskie, and Dolnośląskie, the least in Śląskie and Podkarpackie. Unemployment was the result of processes which adapted the Polish economy to a market economy. After the dynamic growth in the initial period of transformation, the number of unemployed started to decrease. The average rate of unemployment as at the end of 1998 was 10.4%. Voivodships in northern Poland had the highest rate of unemployment (above 14%): Zachodniopomorskie, Kujawsko-Pomorskie, and Warmińsko-Mazurskie. The lowest rate, 8%, was found in Mazowieckie, Małopolskie, and Śląskie voivodships. The high level of unemployment of a structural nature in northern Poland is mainly the consequence of state-owned farms going bankrupt. As many as 40% of the unemployed remained without employment for a year or longer, a majority of them in Świętokrzyskie and Podkarpackie voivodships (over 45%), the least in Lubuskie and Śląskie voivodships (less than 34%).

To sum up: Wielkopolskie, Mazowieckie, Małopolskie, and Śląskie generally are characterised by the highest level and effectiveness of development. Their strong position is due to the high level and effectiveness of productive sector, human resources potential and

quite well developed infrastructure. The voivodships of the “eastern wall”: Warmińsko-Mazurskie, Podlaskie, Lubelskie, Podkarpackie, and Świętokrzyskie are clearly the weakest from the point of view of the level and effectiveness of development, the condition of infrastructure, and standard of life. This is because agriculture is very ineffective in these voivodships and, at the same time, services and industry remain undeveloped. These voivodships require structural transformations the most. Also intra-voivodship differences are important to note so as to be able to understand regional differentiation in Poland. In the whole country, Mazowieckie voivodship, as well as Śląskie and voivodships from the south-eastern Poland show the most extensive internal differentiation.

The diagnosis of the development conditions and of the current condition of regional differentiation by poviats and voivodships proves that:

- Interregional disparities in Poland do not differ significantly from average regional disparities in individual EU countries.
- Differentiation of pace and scale of development processes increases. Multifunctional regions, with scientific centres, best prepared personnel, relatively good infrastructural connections, and well-developed business environment institutions are beneficiaries of those processes.
- Development processes encounter more serious structural problems in voivodships with mining industries, defence industry and former state-owned farms.
- Disparities are greater within certain socio-economic indices which define the potential of endogenic development of the particular voivodship. Especially large disparities can be found in relation to the rate of unemployment, share of working in agriculture in the number of total employed, level of education of inhabitants, access to education and social services, basic infrastructure in cities, towns and rural gminas, infrastructure of regional importance, development of the SME sector and business environment institutions.
- Infrastructure gap is the widest in eastern and north-eastern Poland: in Podlaskie, Warmińsko-Mazurskie and Lubelskie voivodships.

### **3. Assumptions of the long- and medium-term strategy of socio-economic development of the country**

As regards the current socio-economic situation and Poland's aspirations for full integration with Western political and economic structures, the following are the most important challenges facing Poland in the long term:

- major reduction of the development gap and the disparity in living standards between Poland and the Western European countries,
- permanent solution for the problem of unemployment by creating about 3 to 4 mln new jobs by the year 2010,
- exploitation of development opportunities created for Polish enterprises by Poland's membership in the European Union, including Poland's accession to the Economic and Monetary Union.

The above challenges, defined in the „Strategy of public finance and economic development, Poland 2000-2010”, determine the selection of objectives, directions of activities, and instruments for implementing socio-economic policy in the medium term – by 2006 – and in the shorter term – by 2002. Development and modernisation activities shall play a crucial role in the achievement of these objectives.

Strategic objectives of the socio-economic development of Poland for the next few years are:

1. Ensuring the continuation of the high rate of economic development; GDP growth should be much higher than in the EU countries and amount to about 6-7 % annually, which will reduce the development gap between Poland and the Community,
2. Creation of conditions and extending capability of enterprises to create productive jobs, so that the level of unemployment can be reduced and the incomes of people and their families increased.

The basic directions of the activities aimed at achieving these defined objectives include investments in three basic elements of the economic structure, decisive for the processes of structural changes: production potential, infrastructure, human resources, and appropriate fiscal policy as well as legal and regulatory adjustments. In the longer term, state policy will be focused on those basic areas so as to provide both macroeconomic balance, which shall further the achievements of convergence criteria and shall enable Poland to

accede to the monetary union, and allow the reduction of differences in the living standards of EU and Polish citizens.

The following instruments shall be mainly used in the course of the state's intervention in the progress of development processes:

- consistent privatisation and restructuring of state-owned enterprises, beneficial for the creation of enterprises functioning in the European market,
- active policy of the labour market, supporting changes of structure and size of employment,
- balancing expenditures and incomes of the public finance sector, creation of a stable and transparent tax system, and reduction in the tax burden, thus stimulating entrepreneurship.
- increasing public expenditure for pro-development areas – development and modernisation of the transport, energy, gas, telecommunications and information infrastructure, small and medium enterprises, science, education, research and development, allowing the acceleration of the process of creation of competitive economy and the reduction of development differences between the EU and Poland,
- increasing the effectiveness of control of spending public funds, allowing better programming and spending of funds for activities of the highest priority, including activities related to the financing of EU programmes and projects.

State intervention in the development process will respect the principles of sustainable development. Only such an approach can provide conditions for balanced development based on utilisation of the whole Poland's potential.