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**REGIONAL AND LOCAL FACTORS
IN THE RESTRUCTURING
OF POLAND'S ECONOMY.
THE CASE OF SOUTH-EASTERN POLAND**

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I. Introduction

Main factors in the restructuring processes

No matter how the progress of the transformation processes is evaluated, it seems obvious that the key issue in the economic policy of the state is now economic restructuring. In its absence, a steady economic growth would be hardly possible and the achievements in the field of systemic transformations since 1989 might be endangered. Among other things, this is due to the fact that the causes of inflation are increasingly linked to the faulty economic structure, ill-suited to the needs of market economy and international competition. This is true about the organizational, material, technological and regional aspects of that structure. Even the best macroeconomic policy will not be able to eliminate these problems. Their existence, however, constantly jeopardizes the relative economic equilibrium that has been reached. At the same time the coexistence of economic structures formed under the conditions of socialism with adaptation mechanisms typical of a market economy leads to processes of rapid differentiation, the most important of which concern regional differences.

Measures intended to modify the economic system, and in particular the labour and ownership relations, must be oriented towards the fundamental problem of economic development these days, that is, industrial and regional restructuring. If no steps are taken or if they go in the wrong direction, the result may be an immediate regression of the ongoing transformation. A blocked or slowed down restructuring process would profoundly affect the economic equilibrium, touching off hyperinflation again and posing a real threat to democratic government. Likewise, the growing regional differentiation may endanger the systemic reforms that market economy hinges upon. It follows from the above that the problem of efficient restructuring of the economy lies at the heart of not only economic, but also political development.

Under the post-socialist conditions, the specificity of any economic strategy is determined at the starting point by the state of profound economic imbalance and, on the other hand, by a systemic vacuum, that is, the lack of a stable configuration of political and economic agents. This greatly complicates all kinds of measures aimed at restructuring, which form the backbone of every economic strategy. Accordingly, care must be taken to avoid increasing the imbalance, or at least to foster the restoration of equilibrium in a relatively short time. Unfortunately, restructuring efforts, even if oriented towards restoring current

equilibrium, by their very nature tend to upset the balance at first. The lack of a stable agent structure, in turn, entails in practice the absence of certain types of actors, indispensable for the implementation of the adopted restructuring goals.

The OECD report on problems of the regional development policy in Poland formulates the claim about the fundamental importance of "structural mega-adjustments".¹ It is connected with the fact that superimposed on the regional adjustments known from OECD countries, there are adjustments connected with the transformation of the economic system, which occur in all the regions. This is why the regional dimension of restructuring processes in the reforming countries is so important.

The level of susceptibility to structural change varies across regions in Poland. One can distinguish expansive and crisis-prone regional structures. Observation of the spatial characteristics of the transformation processes after 1989 confirms the growing regional differentiation, and polarization of regions into transformation leaders and problem areas. This is corroborated by analysis of the spatial development of four processes crucial for the transformation: changes on the job market (including unemployment), privatization of the economy, foreign investment, and formation of an environment favourable for business and economic activity.

Even though positive structural adjustments dominate in Poland - which is the fastest transforming state in Central and Eastern Europe - there are nevertheless regions of the country where negative adjustments take place as well. Consequently, the regional structures become increasingly incoherent, which can pose a threat to the transformation at the economic as well as political level.

Regional restructuring in Poland has been profoundly influenced by the local government reform. One of the fundamental, post-1989, systemic changes was the formation of self-government on the local level. The establishment of local government marked a breakthrough in the construction of democratic state structures. Its emergence signified a break with the socialist doctrine of unity of the state and local administration, treating the local level as the bottom rung of central administration.

¹ The Problems [1993]: The Problems of Regional Development Policy in Poland, Warsaw: OECD.

The systemic changes initiated in 1990 have been limited so far to the local level. This was first of all due to the fear that the simultaneous creation of a second level of self-government structures might restrict the capacity of the local level to act independently. Another cause was probably the desire to avoid dividing the limited human resources between the two levels, which could hamper the entire undertaking. Finally, the restriction of the first stage of the reform to the basic level of local government structures was justified under the circumstances by the pioneering character of the task and the vast range of necessary legislative and organizational preparations.

Thus the increasing role played by local self-government is not reflected at the regional level. This is an important factor which determines not only the situation in Poland after 1990, but also the directions that further reforms of the state should take. The lack of a supra-local self-government agent capable of solving problems common to the entire region is a powerful determinant of the regional policy of the state, including regional restructuring.

The idea of restructuring with the participation of the state

The authors of the present report believe that the negotiated strategy² has precisely those advantages that enable efficient restructuring of the economy. The reason is that this strategy, unlike strategies based on the imperative method, facilitates the integration of the technical-economic and socio-economic dimensions of policy. Such integration is a precondition for harmonizing restructuring and system-creating processes and maintaining current economic equilibrium, without which the post-socialist transformation cannot be completed.

The integration of restructuring and system-creating policies through the negotiated strategy should not be taken to mean that conflicting interests will be reconciled through negotiations between representatives of existing economic agents. Such an approach would lead to the petrification of the existing structure rather than its change. The point is that institutionalized negotiations over specific restructuring policies should lead to the formation of such economic agents that will carry out these policies and forge the new economic system in the process. This means that the negotiation strategy must not consist only in articulating and mobilizing certain interests, but also in a conscious effort to de-articulate and de-mobilize other interests, which in a given

² Hausner, J. [1994]: The Negotiated Strategy in the Transformation of the Post-Socialist Economy, Kraków, mimeo.

case cannot be reconciled with the restructuring policies. Of prime importance is the selection of partners on both the micro and meso levels and according to specific economic interests, rather than on the macro level, according to political and ideological criteria.

It clearly follows from the above that restructuring, especially industrial and regional, is of key importance for the implementation of the negotiated strategy. The crucial question here is: what should be the role of state (government) and other economic agents in precipitating and carrying through this process. So far two opposing viewpoints have been presented in the public debate: the first stresses the need to preserve the purely market-oriented character of restructuring, while the second underlines the need for an industrial policy consisting in structural reforms which are to be carried out chiefly by the state. In fact, the pendulum is swinging more and more towards the second option.

We believe that the dichotomy: "**restructuring without state intervention**" versus "**restructuring controlled by the state**" should be overcome and an approach based on "**restructuring with the participation of the state**" should be developed in a way that would be coherent with the principles of the negotiated strategy. The main tenets of this approach are as follows:

- the state (government) must have a comprehensive, long-term programme of economic development that would include a specific vision of desired structural changes and their deadlines;
- the state (government) carries out macro-economic policy whose aim is to maintain current economic equilibrium, while facilitating the implementation of the long-term programme, including the planned structural changes;
- the state (government) undertakes policies (organizational, economic, legislative) to forge an infrastructure (technical, institutional, legal, social) for the operation of economic agents whose aim is to increase economic efficiency;
- the state (government) possesses the means and instruments - as well as the ability to use them - to become involved in restructuring;
- the state (government) participates in negotiations between various types of partners (local self-government, employee representatives, employer and business representatives, professional associations, economic agents, agencies and foundations of regional development etc.) over specific

programmes and restructuring measures in branch and/or regional structures;

- the provision of resources by the state (government) for specific programmes and restructuring measures is the outcome of agreements and is conditional upon all the parties abiding by these agreements.

The cornerstone of the "restructuring with the participation of the state" approach is the creation of institutions complementary to mechanisms of market and administrative coordination, at the same time ensuring social control over these mechanisms. The supply strategy oriented towards qualitative restructuring requires the state to design, protect and stimulate certain institutions. In particular, it is vital that the local systems of economic regulation should be encouraged to take the role of independent, active agents.

The reason why it is so important to create appropriate institutions is that in this way social agents gain self-identity and thus help to lay the foundations for the economy's long-range goals. Since restructuring can only be undertaken and carried out by certain agents under the given conditions, to create institutions means to create a social fabric enabling restructuring and the resolution of specific problems, as well as the accumulation of experience and its application in other areas of social life. Thus, institutions also forge the rights and contract-making capabilities of the various agents, defining their role in the restructuring, as well as in finding solutions to more general problems.

The "restructuring with the participation of the state" approach needs to be developed; the political and institutional conditions under which the state (government) would perform the above-mentioned function should also be specified. Of equal importance is a detailed classification and characterization of the means and instruments needed by the state to participate in industrial and regional restructuring; agents participating in restructuring programmes and undertakings should be similarly described and classified. This does not mean that an arbitrary selection of either the means or the partners should be made, but that in each given case such selection should be facilitated and at the same time infrastructural arrangements enabling certain means to be used and certain partners to act should be delineated.

Finally, one should add that it is not necessarily the government and its agencies that must initiate restructuring programmes and undertakings. Perhaps this is unavoidable in the initial stage of

implementing the negotiated strategy, but its ultimate success will be measured by the growing initiative taken by other agents.

Objectives and organization of the survey³

The aim of the present report is to evaluate the progress and degree of advancement of regional restructuring processes in the years 1989-1993 and to diagnose the institutional system that conditions those processes.

The regularities of transformation processes have been quite thoroughly investigated - in their spatial and economic aspects - by various research centres in Poland. It is not so with the institutional aspect of regional restructuring. No in-depth studies are available, mapping the distribution and operating range of institutions in "success areas" and "problem areas". Therefore, defining the actors in the regulatory part of the restructuring processes is the principal object of our investigations.

The relationship between the real and institutional spheres of regional restructuring processes has not yet been tackled in the literature. Of course, the institutional sphere determines to a large extent the processes of regional development and regional restructuring. This is, however, a two-way dependency: high dynamics of economic development and restructuring in a region favours the formation of a rich network of interconnected institutions that make up the business environment. For this reason we concentrate in our study on the relationship between the two spheres.

The survey was carried out in nine provinces (*województwa*) of south-eastern Poland: those of Bielsko-Biala, Kielce, Kraków, Krosno, Nowy Sącz, Przemyśl, Rzeszów, Tarnobrzeg and Tarnów. In terms of advancement of the transformation, some of the above-mentioned regions rank among the leaders, some among the average, while some can be classified as problem areas. The sample is large enough to compensate for individual distortions and ensure that the specificity of particular provinces does not affect the validity of the conclusions in any significant way. This allows us to use the findings to formulate some more general conclusions about regularities of the economic transformation processes at the regional level in their institutional as well as material (real) aspects.

³ The survey was financed by the Friedrich Ebert Foundation Office in Warsaw.

The evaluation of the progress of regional restructuring comprises an assessment of the following areas: urbanization, situation on the labour market, investment volume, gross national product, and income of the households. There follows a synthetic evaluation of the general level of development and dynamics of changes in several of the structural systems of the economy: the ones associated with its sector division, branch division, ownership relations etc. The concluding part of the analysis evaluates synthetically the dynamics of structural changes and classifies the determinants of the ongoing transformation.

The classification of the institutional system takes into account the following:

- regional development agencies;
- state administration units;
- local-government administration units;
- foundations and associations for the promotion of regional development and entrepreneurship;
- economic self-government;
- enterprises.

The synthetic part dealing with the relationship between the institutional and the real institutional systems consists of 6 of the following elements: characteristics of these institutional systems at the level of the province, classification of institutions with respect to the range of their influence, classification of dependencies in the real and regulatory spheres, and identification of the institutional barriers that block development and regional restructuring.

The survey covers the years 1990-1993 as far as real processes are concerned, while the diagnosis of the institutional system refers to the situation at the end of 1994.

The method applied to the analysis of the real sphere relies on the statistical apparatus used in economy, including, among other things, synthetic indicators, structural divergence (convergence) indicator, and correlation index. The analysis of the institutional sphere is based on fieldwork, carried out between October and December 1994. In each province a leading agent of regional restructuring and other institutions important for that process were tentatively identified. Blueprints for questionnaires were prepared to be used in the field. As the questionnaires were administered, other institutions participating in the regional restructuring process became identified. The interactive mode of cooperation within the research team made possible an exchange of observations and ideas between the participants responsible for the

reports on particular provinces. A seminar was held in the course of the work in order to discuss the list of institutions and their mutual dependencies, which facilitated the preparation of final reports for each of the provinces concerned.

The survey is a pilot study in at least a double sense: it deals with selected regions of the country, and it tests a new research method.

II. Development and Structural Transformation of the Provinces under Investigation

Specificity of the region

The south-eastern part of Poland, where the survey was carried out, is highly diversified with respect to practically all the variables that define the socio-economic structure of the nine provinces. Divergence from the regional average is the greatest in the case of the Kraków and Bielsko-Biała provinces, but also several other provinces show a considerable degree of structural differentiation. This is probably due to the fact that the relatively small group of spatial units under study exhausts nearly all the basic typological classes of economic structure: from predominantly agricultural to various configurations of the agricultural-industrial and agricultural-tourist types to well-developed industrial and metropolitan regions.

The Table 1 shows some selected characteristics of the provinces in question, in comparison with the aggregate data for the region and the entire country (as of the end of 1993) [see: Table 1*].

The total area of the nine south-eastern provinces is 46,715 sq km, which amounts to ca. 15 per cent of the area of Poland. Apart from Kielce, these are small provinces, and those of Bielsko-Biała and Kraków rank among the smallest in the country. Four of the provinces (Bielsko-Biała, Krosno, Nowy Sącz, Przemyśl) abut on the state border. The inhabitants of the region account for a somewhat larger proportion of the country's population (ca. 18 per cent), but their distribution in the region is markedly uneven. In all the nine provinces, but especially in those of Bielsko-Biała and Kraków, the average size of a farm is significantly below the national average. The other indicators presented above, relating to selected elements of the economic structure and the specificity of the regional labour markets, point at the following general characteristics:

- great importance of industry in the province of Bielsko-Biała;
- dominant position of agriculture in the economic structure of the Nowy Sącz, Tarnobrzeg, Tarnów, and Przemyśl provinces;
- considerable role played in the Kraków province by the services sector, which ranks relatively low in the remaining provinces;

* All the figures and tables are collected in the Appendix.

- very high unemployment rate in the provinces of Przemyśl, Rzeszów, Kielce and Krosno.

Synthetic evaluation of the achieved level of development

Conclusions from that part of the survey are presented in the form of synthetic indicators which grasp the level of development of particular provinces in a generalized fashion. The method applied draws on the model developed by Hellwig. It aggregates a number of component characteristics across the provinces under investigation in relation to an appropriately defined model unit⁴. For comparative purposes, the appropriate indicators have been calculated for two periods of time: 1990 (d_{10}) and 1993 (d_{93}). The following set of component characteristics has been accepted as basic⁵:

1. Percentage of employment in the Third Sector.
2. Percentage of employment in industry.
3. Unemployment rate.
4. Percentage of urban population.
5. Per capita fixed assets (net).
6. Telephone lines per 1,000 inhabitants.

In the case of the indicator for 1993, a variant has also been calculated, taking into account two additional, GNP-related variables (d_{93})⁶:

7. Per capita GNP.
8. Per capita household income.

The relevant data are listed in Table 2 and shown graphically in Figure 1 [see: Table 2].

Bearing in mind that the maximum value a d_i indicator can take is 1, the following conclusions seem justified:

⁴ There exists ample literature on the idea and possible applications of that method; see: e.g., Pluta, W. [1976]: A Taxonomic Procedure for Synthetic Comparative Studies Based on a Modified Measure of Economic Development, *Statistical Overview 4*

⁵ In the adopted set of characteristics, only unemployment rate functions as a destimulant; the remaining features are stimulants.

⁶ No such calculation was possible for the year 1990 for lack of relevant data on the previous periods.

- the Kraków province has reached a high level of development and is clearly the dominating one;

- on the basis of the score differential between successive provinces, one can distinguish two single-item subgroups right behind the Kraków province: those of Bielsko-Biała and Kielce. It is to be noted, however, that while the first-mentioned province has closed the distance to the leader of the group (and increased its advantage over the others), the province of Kielce has gone in the opposite direction, as a result of which it came closer to the next, lower-scoring group of provinces in 1993;

- another fairly uniform group is made up by the provinces of Rzeszów, Tarnów, Tarnobrzeg and Krosno. Their level of development places them a little below the regional average and far below the leaders;

- the lowest-ranking provinces are those of Przemyśl and Nowy Sącz. It should be emphasized that the increase of the synthetic indicator for the Przemyśl province in 1993 can hardly be interpreted as signifying economic growth in absolute terms. It is, rather, attributable to the relatively smaller scale of regression in the areas on which the indicator is based;

- during the period in question, the differences between particular provinces in the level of economic development have been levelled to some extent. This is due first of all to the faster regression in higher-ranking provinces and not so much to the improving situation of the lowest-ranking ones;

- characteristically, the order of the provinces on the ranking list remains very stable. Two points should be observed. First, the changes that occurred between 1990 and 1993 were totally insignificant. Second, the inclusion of two new characteristics in the synthetic measure (items 7 and 8 in the list above) had no effect on the ranking of particular provinces (cf. columns 4 and 6 in Table 2).

Synthetic evaluation of the dynamics of structural change

One of the principal aims of the statistical analysis has been the evaluation of the dynamics of structural change in the nine provinces. This analysis is also based on the Hellwig method, described above. Once again, the synthetic indicators have been calculated on the basis of appropriate detailed measures related to various aspects of structural change in the years 1990-1993. The selection of such measures has been guided by the availability of statistical data and the

need to choose elements that would faithfully reflect the character of the changes. Thus two groups of features have been distinguished. One comprises indicators that illustrate the changing contribution of particular sectors to the entire economy of a given province over the years 1990-1993. They are measured as the percentage of the employment in a given sector in 1993 and in 1990 (in relation to the overall employment). Five sectors are evaluated in that way:

1. Trade.
2. Construction.
3. Municipal services.
4. Financial and insurance services.
5. The First Sector.

The other group contains indicators illustrating the scale (as of 1993) of some phenomena which had been of only marginal importance under the previous economic system, such as foreign capital influx or privatized segments of industry. It follows that their rank during the period under investigation (1993) can function as a measure of advancement of structural changes in a given field. The following indicators have been selected:

6. Employment in the private sector outside agriculture in proportion to the total employment outside agriculture.
7. Employment in the privately-owned segment of industry in proportion to the total employment in industry.
8. Employment in the privately-owned segment of industry with foreign capital in proportion to the total employment in privately-owned industry.
9. Initial capital of foreign partnerships per employee in the material sphere.
10. Changes in the number of state-owned enterprises.

Results of the statistical analysis are given in Table 3 and illustrated in Figure 2.

It should be borne in mind that the synthetic indicators arrived at in this way illustrate not so much the scale of **structural changes in general**, as **structural changes which are seen as positive**. It is a consequence of the qualification of the detailed indicators, which can be divided into destimulants (items 5 and 10) and stimulants (the remaining ones).

The greatest advancement of structural changes can be observed in the Bielsko-Biala province, then, on a much smaller scale, the province of Kraków. The next three groups are made up of, respectively, the Krosno and Rzeszów provinces, the Kielce, Przemyśl and Tarnobrzeg provinces, and, finally, the Tarnów and Nowy Sącz provinces [see: Table 3].

It can be concluded that in the last two subgroups (comprising five provinces) the scale of structural changes was small not only in comparison with the other provinces, but also in absolute terms, as indicated by the numerical data on which the synthetic measure is based.

III. Assessment of the Influence of the Institutional Structure on the Regional Restructuring Processes

Institutions of regional restructuring

Regional development agencies⁷

To facilitate a global analysis of the agencies under study, their principal characteristics have been collected in Table 4. The following generalizations can be formulated on the basis of these data:

- at the time of the survey, most of the agencies had functioned for a period approaching or exceeding two years. In the case of the Rzeszów agency, that period was a little shorter, and the one in Ustrzyki Dolne had only just been established;
- most of the agencies have the status of joint-stock companies. The only exception is the Starachowice agency with a foundation status;
- in five cases, the establishment of the agency was initiated by the governor (*wojewoda*), acting singly or together with other agents (commune (*gmina*), enterprise). In the remaining three cases, the initiative was taken by the local government, acting jointly with a large enterprise and the Industry Development Agency (ARP) or the Cooperation Fund;
- the initiators do not always exercise control over the agency by way of capital ownership or personal influence. In two cases (Kraków, Rzeszów), the agencies are controlled by the Province Administrative Office (*Urząd Wojewódzki*); in two others (Starachowice, Ustrzyki Dolne), mainly by the Cooperation Fund, together with the commune authorities. The control of the remaining four agencies is dispersed among different agents, which occasionally allow them to acquire autonomy (Bielsko-Biała, Mielec);
- several of the agencies concentrate on their own business activity; hence they are mostly profit-oriented. For some of them (Kraków, Tarnobrzeg), this is in practice the main priority, therefore, they fulfil their statutory functions to a limited degree only. By contrast, those agencies in which the Cooperation Fund has a majority stake (Starachowice, Ustrzyki Dolne), focus on their socio-economic function, including

⁷ Three of the provinces under study (Nowy Sącz, Przemyśl and Tarnów) have no agencies of this type. In the remaining six provinces, there are eight agencies in all, as there are two in both the provinces of Kielce and Rzeszów.

that of providing credit facilities and support for economic units;

- the agencies cover only a fraction of their expenses from their own capital. The only exception is the Kraków agency. The others depend on financial aid or funds provided by their clients: enterprises and offices. All the agencies constantly seek financial aid, and for most of them this is the sole or principal source of financing;
- the agencies mostly concentrate on regional and local undertakings. For some of them, however, (Kraków, Bielsko-Biała, Kielce), international projects form a significant or even dominant part of their initiatives.
- as a rule, the agencies occupy premises which are adequate to their needs and well-equipped. The situation of the Ustrzyki Dolne agency is not as good, but that agency is still at the organization stage. The agencies employ typically some ten or twenty people. The ones in Starachowice and Ustrzyki Dolne are markedly smaller. The strikingly high employment of 80 in the case of the Rzeszów agency is due to the fact that it fulfils in practice a number of functions of the Province Administrative Office [see: Table 4].

State administration structures

In the nine provinces of south-eastern Poland, there are three local offices of the Ministry of Ownership Transformations. Two of them (in Kielce and Kraków) are not particularly active and fulfil their tasks in a routine way. The office in Rzeszów, on the other hand, is an active participant in the restructuring processes and successfully cooperates with the province authorities and the enterprises concerned.

In most cases the province administration attempts to initiate regional restructuring processes. However, only two of the Province Administrative Offices under study are active participants in the regional restructuring strategy (Bielsko-Biała, Tarnobrzeg). In four other cases, one can speak of comprehensive development programmes which do not, however, constitute strategies, as neither their conceptual content, nor their implementation, provide for appropriate institutional agreements or a broader social consensus (Kielce, Nowy Sącz, Rzeszów, Tarnów). In one province, there exist only sector programmes (Krosno). The remaining two instantiate the traditional planning approach (Kraków, Przemyśl). This is hardly a serious obstacle to development in the case of Kraków, given the city's huge economic and institutional

potential, but in the Przemysł region, the lack of strategic activity on the part of the province authorities is a serious drawback.

At least in some of the provinces there are visible conflicts between the state administration and the local government (particularly in the provinces of Przemysł and Tarnów). In most other cases, there is no evidence of an efficient cooperation of the two organs.

In all the provinces the authorities become engaged in inter-regional or even international cooperation. However, its efficiency and prospects are very limited, because of the lack of mechanisms whereby such cooperation could be extended to the local level. Generally speaking, only in the case of Kraków and Bielsko-Biala can one predict that the attractiveness of the socio-economic potential of both cities will act as a stimulant intensifying interregional exchange and integration.

Local government structures

At one pole of the classification one can place those local-government structures which function in subregions where the economy is picking up and positive adjustment to the systemic changes dominates. Two principal types of behaviour can be observed in that case:

(i) the local-government authorities may concentrate mainly on promotion. They neither formulate their own development strategy for the subregion, nor participate directly in the restructuring projects. Nevertheless, their activity generally stimulates the development of entrepreneurship and investment. As an example, one can mention the City Administrative Office (*Urząd Miejski*) of Kraków;

(ii) alternatively, the local-government authorities may assume the role of an agent of structural transformations, actively pursuing a strategy agreed upon with other partners. This model is followed, for instance, by the City Administrative Office in Bielsko-Biala.

At the opposite pole are the local-government structures functioning in regions particularly hard hit by recession. Here, too, it is possible to distinguish two types of reaction:

(i) the authorities may engage in a broad spectrum of activities that encourage the restructuring efforts in the region. As a rule, such undertakings are impossible without significant help from the outside, mainly from abroad. It has also to be stressed that the results become visible only much later and depend on the scale and diversity of the measures taken. This attitude is exemplified by the City Administrative Office in Starachowice;

(ii) in contrast with the above, there are instances of uncoordinated, ill-judged, isolated attempts to change the situation in a subregion, which are doomed to failure. The Association of Communes of the Bieszczady Region is a case in point.

In between, there are local-administration structures in region's whose economic situation is neither particularly good, nor particularly bad. They all usually face similar problems: high unemployment rate, decline of state-owned enterprises, shortage of capital and lack of investments. Also in this case the reaction can be twofold:

(i) the authorities may take joint action with other agents (both at the province and local levels), aimed at overcoming the main barriers to development. Such is the attitude of the City Administrative Office of Tarnobrzeg or the Association of Communes of the Brzozów Region;

(ii) the local-level decision makers may passively wait for the central- and regional-level authorities to act and improve the situation in the region. This results in social and economic stagnation. Such a state of affairs is often the result of conflicts between institutions and the lack of ability to cooperate with other agents. The examples include the City Administrative Offices in Brzesko, Dębica and Skarżysko-Kamienna.

Foundations and associations for regional development and the support of entrepreneurship

A large proportion of foundations and associations within this group came into being as local agencies representing central-level undertakings. In particular, this is true about the following: the network of Centres for the Support of Business, which are established and financed by the Cooperation Fund, Agencies for Local Initiatives, established and financed by the Foundation for Socio-Economic Initiatives, and various centres and institutes concerned with the local government, established and financed by the Foundation for the Development of Democracy. Some of these agencies have managed to achieve recognition in their regions and are functioning efficiently now (Centre for the Support of Business in Jarosław, Agency for Local Initiatives in Kielce, Lesser-Poland Institute for Local Government and Administration in Kraków). One would suppose that they would survive even if the centrally allocated funds ran out. The reason is that they have formulated programmes that meet the local needs and found strong local partners. Another important factor is the high professional level of the personnel. On the other hand, there are many agencies which are almost entirely dependent on their headquarters. Their performance is poor and they show no signs of development (e.g. Centres for the Support of Business in Sanok and Nowy Sącz, Agency for Local Initiatives

in Kraków). Were they to go into liquidation, the local communities would not lose much. They will go bankrupt the moment they are cut off from external funding.

A vast majority of the foundations and associations rely on foreign financial aid. In some cases the dependence is so great that when this source of financing is exhausted, they have to be liquidated (Foundation for the Development of the Village and Agriculture in Nowy Sącz, Centre for the Promotion and Support of Agricultural Entrepreneurship in Sandomierz). This is particularly true of those agencies which were linked with social and political movements, and especially "Solidarity" (Foundation of the Development of the Świętokrzyskie Mountain Region in Kielce). Usually, they were unable to attain a stable position in the region, especially since they were perceived by other agents as competitors, also on the political scene. As far as some other foundations and associations are concerned, one cannot help suspecting that the main motive for their establishment was the necessity to use the allocated funds (e.g., Foundation of the International Centre for Economic Education and Development in Mielec, Centre for the Promotion and Support of Agricultural Entrepreneurship in Sandomierz, Association for the Promotion of Entrepreneurship in Rzeszów). Such institutions, particularly when they are dominated by foreign staff, have meagre chances for development. On the other hand, if genuine local initiatives receive no external support in the form of financial aid, they are also unlikely to develop and either collapse after a while (Foundation for the Development of the Rzeszów Region in Rzeszów), or turn into regular businesses (Foundation for the Development of the Town of Przemyśl and Environs in Przemyśl).

Some foundations for regional development are in fact engaged in pure business activity, taking advantage of the tax relief granted to foundations and of foreign financial aid ("Progress and Business" Foundation in Kraków, Foundation for the Economic Promotion of the Kraków Region in Kraków).

Special cases include the Foundation for Agricultural Development in Krosno, and the Kraków Development Forum. The former is in practice not so much a foundation for regional development as a welfare fund, which is doomed to failure without the government subsidies. The latter represents an interesting attempt to form a regional council for development, independent of the state and local-government administration.

Only a part of the foundations and associations characterized above effectively influence regional development. It is not easy to make a detailed list of the factors behind their success. One can more easily enumerate the general causes responsible for the failure of the remaining initiatives. These include:

- excessive dependence on external resources (from outside the region), including foreign financial aid;
- domination of foreign staff;
- incompatibility of the programme with the local needs;
- lack of strong local partners;
- heavy political involvement;
- orientation towards profit-generating business activity.

Economic self-government organizations

On the one hand, there exists a group of chambers of commerce which function dynamically, take successful initiatives and influence the situation in their regions. Such is the case first of all with Kraków, which has a long tradition of organized representation of private enterprise. But organizations of economic self-government can also be found in places where such traditions are practically nonexistent (Jarosław). The decisive factor in their success is first of all the favourable environment in which they function and seek partners (Mielec). The most important thing, however, is their stimulating influence on that environment, exerted through the initiatives they take, such as, for instance, the establishment of business schools (Kielce). A sympathetic attitude of the regional and local authorities is extremely helpful in such initiatives, contributing to the development of the business community (Nowy Sącz).

On the other hand, the greater part of the economic self-government organizations represented in the survey are unable to begin full-scale activity, remain passive and merely struggle for survival, alone in a hostile environment (Krosno, Sandomierz, Zakopane), hoping, in all probability, for legislation that will make membership compulsory. Sometimes this is the result of excessive political involvement of the organizers (Rzeszów, Agricultural Chamber of Nowy Sącz). Another cause may lie in the conflicts with the local government, which treats the organization as just a group of lobbyists (Stalowa Wola). First of all, however, the problems result from the lack of genuine need for this kind of activity, which points at the weakness of the local business circles (Agricultural Chamber of Tarnów).

The enterprises under study generally exhibit weak links with their regional and local environment. As a result, they do not become directly and actively involved in the implementation of broader programmes of regional restructuring. The restructuring projects of their own, regardless of their character, are poorly coordinated at the regional and local levels. This is partly a consequence of the "do-it-yourself" attitude fostered by the lack of confidence in the competence and honesty of potential partners.

Economic units which have retained the status of state-owned enterprises are willing to maintain links first of all with their traditional cooperation partners within the branch structure and with the central-level organs of economic administration. Privatized and private enterprises, on the other hand, are oriented towards their partners and competitors on the market.

If enterprises cooperate at all at the regional or local level, it is mostly bilateral links that they establish. Their main partner is the public administration, and their contacts focus mostly on property issues (transfer of non-production facilities, land ownership). In a few cases, also ecological issues are involved (penalties for pollution, pro-environment investments).

Enterprises with a good financial standing develop contacts with their environment by sponsoring social services and charities. Ones in poor financial condition, in their turn, look to their environment for support in their efforts to obtain tax exemptions and rebates and to defer the payment of social security tax.

The organizations discussed above, which provide the institutional foundations of regional restructuring, have been inefficient so far as a framework for the formation of networks linking enterprises, especially large ones, at the regional and local levels. Many of these organizations are perceived by enterprises as applicants for financial aid, rather than partners capable of granting this kind of aid.

At the regional and local levels, enterprises would be particularly interested in cooperation with appropriate research centres and universities, as well as specialized consulting firms. Unfortunately, no such partners are available for most enterprises - with the exception of ones based in Kraków.

The province of Bielsko-Biala

The province is notable for its economic and entrepreneurial dynamics. For one thing, it has a relatively large number of new private economic entities; for another, it surpasses other regions of the country in the scope and efficiency of the transformation of state-owned enterprises and their adaptation to the conditions of market economy. What is more, the existence of a broad range of industries is a structural feature of the province's economy, and many of the enterprises boast high technological standards. It is thus possible to speak of a symbiosis between the old and the new economic actors, which offers favourable prospects for further development and a chance to attract foreign capital and financial institutions. Other important factors include the existence of several well-developed urban centres, the location of the province on the state border and along an important North-South route, and, finally, the existence of a local, albeit small, academic centre. It is difficult to give an unambiguous assessment of the impact of the organizations concerned with the region's development on the highly favourable tendencies in its economy. There must exist a correlation here, but it should not be overestimated, especially in view of the fact that these organizations have not developed a particularly extensive network of links. On the other hand, one must acknowledge the role of the Province Administrative Office, which prepared in due time a strategy for the region's development and implemented it in cooperation with local partners and central-level authorities. This task was facilitated by the influential position and active involvement of some of the Members of Parliament from the region.

The province of Kielce

The main economic problems of the district are connected with the difficult situation of many large, state-owned enterprises, particularly ones situated in the so-called formerly Central Industrial Region (COP) and concerned with defence production. Their collapse is the main cause of the high unemployment in the area. There are two powerful centres of regional restructuring in the province: larger one in Kielce and smaller in Starachowice. A key role is played in both by agencies for regional development, which cooperate smoothly with the administration. In both centres strong ties have developed between the participating organizations (information flow, person-to-person contacts, capital links). The partners engage first of all in joint efforts to increase the volume the region's exports. Not much attention, on the other hand,

is given to other parts of the province, particularly some other large industrial towns (e.g., Jędrzejów or Skarżysko-Kamienna). They show no symptoms of new institutional arrangements favourable for the structural reform.

The province of Kraków

The province is characterized by high dynamics of economic growth and entrepreneurship. It is also notable for the particularly large number of organizations that actively participate in regional restructuring processes. These organizations represent the whole spectrum, comprising administrative structures, educational and advisory institutions, organizations for economic promotion, local government structures, and enterprises. The high potential of Kraków as an academic centre provides the province with an adequate scientific and expert support. The organizations receive active assistance of the Province Administrative Office and City Administrative Office. In particular, the former efficiently coordinates the functions of the organizations concerned with transformations in state-owned enterprises. This group of organizations includes, among others, some departments of the Province Administrative Office, the Regional Development Agency, and the local office of the Ministry of Ownership Transformations. Both the Province and the City Administrative Offices pay a lot of attention to the development of technological and transportation infrastructure in the region, with beneficial effects for business. Obviously, this is possible owing to the good financial standing of the local government, but this dependency in fact goes two ways: efforts of the local government bring in more income. On the other hand, one factor which is to some extent detrimental to regional restructuring processes is the intense rivalry between the structures of state and local-government administration.

The organizations active in the region do not form a visible hierarchy. There are strong interdependencies between them, both in terms of personal relationships and capital links, which facilitates cooperation. One is almost left with an impression that all the participants form a single association with a high degree of mutual rivalry and control, but within a fixed institutional framework. This creates an atmosphere in which steps towards integration are readily accepted (for instance, the establishment of the Kraków Development Forum). It is an entirely different question whether such an arrangement will prove durable and efficient in the long run.

The province of Krosno

It is a province where organizations for regional development of any kind whatsoever are particularly scarce. Those which do exist are weak and unable to influence their environment in a significant way. One of the reasons is the low level of regional integration. The province has three relatively strong urban and industrial centres (Jasło, Krosno, Sanok), engaged in a permanent rivalry, while the remaining areas are of peripheral importance only. The Province Administrative Office is incapable of fulfilling its integrative function. It acts mainly as an intermediary between the central-level and local-level authorities. Therefore, the institutional configuration of the province is of an atomistic type, with severely underdeveloped network ties. Integration of the province's subregions is also very poor, which results from the tensions and distrust that mark the relationship between the municipal authorities and the emerging business circles (particularly in Krosno and Sanok). To make things worse, the province suffers from a general lack of qualified personnel. A good symptom is the development of associations of communes (*gminy*), the lowest level administrative units, as in the case of Brzozów and Ustrzyki Dolne.

The province of Nowy Sącz

One can observe a rapid development of the private sector in that province. This can hardly be attributed to institutional support, although the organizations for the support of entrepreneurship do exert some influence. The main factor, however, is the local tradition and experience. An instructive example is provided by the towns of Nowy Targ and Gorlice. Both have experienced the breakdown of the local labour market in the wake of the collapse of the dominating enterprise (NZPS Podhale in Nowy Targ and Glinik in Gorlice). In Nowy Targ, however, many new small firms have emerged and the unemployment rate is down to about 9 per cent, while the parallel tendency in Gorlice is much weaker, which results in an unemployment rate exceeding 17 per cent. Undoubtedly the favourable development in the former town is a consequence of the long-standing tradition of small private enterprise (tanning industry, furriery, carpentry), nonexistent in the latter.

A strong pro-enterprise centre has been formed in Nowy Sącz, mostly owing to the Nowy Sącz Chamber of Commerce and Industry. Its efficiency is largely due to its good cooperation with the Province Administrative Office. The Chamber took initiative in the establishment of the Regional Economic Council in 1993, which groups the most active organizations of economic self-government. The other peculiarity of the

institutional configuration of the province is the proliferation of commune-level associations, cooperating mainly in the field of tourism. Most of the communes participate in the Mountain Lands Alliance. These two structures play an increasingly important role in the regional development, stimulating anti-recession activities and formulating plans for the future.

The province of Przemyśl

There are few organizations for the support of regional restructuring in that province, which reflects the general low level of economic activity in the region. The existing links between the organizations are of a formal and residual character. The organizations are aware of one another's existence, but not so much of the scope of activities that each of them undertakes. Besides, the administration often looks upon civic organizations and the local government as competitors rather than allies and potential partners, making them feel undervalued and disparaged. This syndrome is to some extent a consequence of personal and political animosities.

All in all, the province has not evolved an efficient mechanism of cooperation between organizations, which results in the weakness of its institutional system of economic restructuring. This is not compensated even by the active policy of some of the organizations, which undertake important initiatives that bring significant effects. The lack of an overall strategy for regional development, the formulation of which is also impeded by the low level of competence and qualifications of the province administration, leads to misallocation of the still rather meagre resources of the citizens' energy. The situation is further complicated by the fact that the economically active region of Jarosław gravitates towards the province of Rzeszów.

The province of Rzeszów

The province has a fairly large number of organisations that deal with structural reforms of the economy. There are some 30 organizations active in the field of economic education and consulting. Some of them have achieved a relatively high level. Two agencies for regional development function in the province, with a good access to resources provided by foreign aid. However, these funds are used on a limited scale only and not always efficiently (miscalculated projects). Besides, the multiplicity of organizations engenders conflicts of competence, which often occur in connection with the allocation of financial aid. Such a situation is partly a consequence of the lack of an overall

development strategy for the province and its subregions, and partly of controversies of personal and political nature.

Two strong centres of regional development have emerged in the province: Rzeszów and Mielec. The dominant position in Rzeszów is occupied by the Province Administrative Office and the Rzeszów Regional Development Agency, which is closely linked with the former. Those two agents are disinclined to cooperate with other organizations. In Mielec, the leading role is played by the Mielec Agency for Regional Development, which lends its support to other organizations established on its initiative. A lot of tension and disintegration in the subregion is due to the conflict between the Agency and the WSK enterprise - the dominant one in Mielec. The main issue in the controversy is the plan to establish a special economic zone in Mielec. Among other organizations, one should acknowledge the important and highly constructive role of the local office of the Ministry of Ownership Transformations.

The province of Tarnobrzeg

Two characteristic features of this province are the small number and weakness of its socio-economic organizations. Such a state of affairs is to be explained mainly by the slow development of private enterprise in the region, dominated by large, state-owned enterprises. Another factor is the relative weakness of informal networks in the province, which was established only in 1975. On the other hand, there is keen rivalry between the main towns of the province (Janów Lubelski, Sandomierz, Stalowa Wola, Tarnobrzeg). In the first years of the economic transformation, each of the economic agents acted on its own. A major qualitative change was brought about by the Province Administrative Office, which came up with an initiative to formulate a strategy for the economic development of the province and established the Tarnobrzeg Agency for Regional Development. These steps had a beneficial, stimulating impact and provided the local government with an example to follow. However, the matter of implementation of the strategy is far from obvious, in view of the weak system of institutional links and the low level of competence of the administrative personnel, especially at the town and commune levels. To complicate matters further, the prevailing conviction among the top-level executives in the province is that the chances of the region depend first of all on access to foreign aid. This contrasts sharply with the relatively moderate expectations for government aid. The situation is paradoxical, since, regardless of the role of small business, the economic prospects of the region are inseparable from the restructuring of large, state-owned enterprises. Under the circumstances, it seems highly appropriate that the tradition of the

Central Industrial Region (COP) is now being invoked, although not yet as actively as it should. The development of the region should be based on the existing industrial potential and concentration of the available capital.

The province of Tarnów

The institutional system of regional restructuring comprises here a relatively large number of entities, but their motto seems to be "Each organization for itself". Under the circumstances, the dominant role is played by the Province Administrative Office. Its contacts with other organizations are formal, pragmatically motivated, and treated by both sides as a necessary evil. Serious conflicts occur between the Province Administrative Office and Administrative Offices at the town and commune levels (particularly the City Administrative Office of Tarnów). This is largely a consequence of strong animosities of personal and political nature in the province, which have been observed for some time and now have gained intensity. The administrative personnel is poorly qualified. Civic organizations complain about being undervalued and disregarded by the state administration and local government alike. As a result, many apparently reasonable initiatives backfire. A lot of ideas are developed, which are never put into practice. Despite some steps undertaken to establish a regional development agency, the idea was finally abandoned, while a Regional Council for Development was formally created, but never really started to function. The dominant feelings are those of apathy and stagnation. It appears to be the received wisdom that no initiative whatsoever makes sense, as it is always doomed to failure through the actions of certain people who will block and sabotage any project.

Four main configurations of institutional setups of regional restructuring emerge from the gathered data:

- **Atomistic** (Krosno, Przemyśl, Tarnów), where the organizations maintain no other links than strictly formal and statutory, without engaging in real cooperation;
- **Bipolar** (Kielce, Rzeszów, Tarnobrzeg?), where the restructuring is organized around two centres, or poles, which have emerged within an atomistic organizational structure;
- **Hierarchic** (Bielsko-Biała, Nowy Sącz), where the capital of the province is the dominating centre, cooperating with a couple (sometimes a larger number) of smaller, regional centres;

- **Network** (Kraków), where there exist many different organizations, with tight network links between them.

In the case of the Tarnobrzeg province, the question mark indicates that this is a borderline case, which might also be classified within the atomistic type.

The following general remarks can be made in connection with the synthetic classification presented above:

- the character of a given institutional configuration is determined not by the number of organizations involved, but by the intensity and quality of links between them;
- in the cases where there is an obvious shortage of organizations and their diversity is too low, their configuration will remain atomistic, despite all possible efforts to alter that situation;
- the development of the organizations depends, in general, on the development of entrepreneurial and economic activity, not the other way round. Where apathy and stagnation dominate, the organizations will not make any progress, and even external support will not allow them to become entrenched in the local structures;
- only organizations which are fully entrenched in the local structures can efficiently support entrepreneurial and economic activity;
- the tradition and experience of small private business in the region have a beneficial influence on the entrepreneurial and economic activity;
- another stimulating factor is the general level of education of the inhabitants and qualifications of the administrative personnel; these in turn depend on the level of schooling and the existence of an academic centre in the region;
- if favourable stimuli are lacking, even allocation of substantial funds will not solve the problem automatically. The only way to turn these funds to advantage is by using them efficiently to create the infrastructural conditions necessary to stimulate business activity in the region. This requires a good strategy and consistency in its implementation.

Institutional barriers to regional restructuring

The data collected and analyzed in the course of the survey allow us to enumerate the following main institutional barriers to regional restructuring:

- tensions between the central-level authorities and local-government structures, mounting since the 1993 parliamentary election, which makes the local agents increasingly distrustful of the province governors and province administrative offices. This phenomenon is reinforced by the practice of evaluating and replacing the governors on the basis of political criteria;
- general incompetence of the state and local-government administrative personnel, which results, among other things, from their relatively low wages (particularly in the case of state administration), and poor regional schooling systems at the levels of secondary, further and higher education;
- sharp conflicts of personal and/or political nature, either inherited from the past, or arising as a result of politicizing the local government structures and the low level of political culture among the elites;
- lack of tradition and collective experience in the sphere of small business;
- generally low level of socio-economic activity; disheartenment and apathy;
- unsettled ownership relations in the sphere of real property;
- non-existence of State Treasury as a separate institution, which impedes rational management of state property;
- defective regulations pertaining to the transfer of property to communal owners, which impedes rational management of communal property;
- instability of regulations pertaining to economic activity, particularly in the sphere of taxation;
- unsolved question of outstanding debts of state-owned enterprises, owed to suppliers, the state budget, and local budgets;
- non-existence of specialized regional and local financial institutions that could provide capital for medium-size and small businesses, and handle the finances of local projects connected with infrastructure development;
- high levels of environmental pollution and high social costs of environmental protection, combined with a low level of ecological consciousness and pro-environment activity;

- excessively centralized model of the state, particularly in the area of public finances; inconsistent regulations concerning the sources of revenue for local budgets;
- lack of a clear idea of the role of the state in the processes of regional restructuring, and of appropriate instruments to perform this role.

It is clear that the barriers are of a heterogeneous character. Some have a nationwide dimension, and so their removal will require central-level action, mostly in the form of legislative and systemic changes. This will in turn depend on the existence of a clear strategy for further transformation of the state and the economy, and the willingness and political ascendancy necessary to pursue it. Others, even if they are observed in all or nearly all of the provinces in question, are of a regional dimension and it is generally at this level that appropriate solutions are to be sought, although their implementation is also conditioned by the legislative and systemic measures indicated above.

Barriers of the second type, even if they are present in all or nearly all of the provinces, vary across the regions in the degree of their seriousness. This factor, combined with the high differentiation of regional conditions and determinants of growth, implies that it is an error to adopt a uniform approach to structural transformations in particular regions - a single strategy for all the provinces. Obviously, the structure of economic and social activity must differ between industrialized and agricultural provinces, and so the institutional framework for structural changes will also be different. Likewise, it is incorrect to assume that grass-root initiative is in principle better than measures introduced in a top-down fashion, or vice versa. After all, bottom-up activity often leads to petrification of the existing structures, instead of restructuring. The same may be the case with top-down action. Legitimacy of a grass-root initiative always depends on its objectives under the concrete circumstances, in just the same way as the efficiency of top-down measures depends on what exactly they trigger and what they block.

Characteristically, it is either in regions with the greatest potential, or in the most critically endangered areas, that external factors and resources interlock with internal ones (although for entirely different reasons and in different proportions), which is a precondition of structural transformations. In the high-potential regions, the mobilization of internal resources attracts external resources, while in the danger regions, external resources are allocated by way of political and administrative decisions. No such interlocking mechanisms are observed in stagnant regions. Those regions pose in fact the most difficult problem,

which requires an individualized approach, tailored to the needs of every concrete case.

Assessment of the role of the institutional setups in the process of regional restructuring

The conclusions reached in the course of the survey justify the generalization that at the regional level, two types of institutions play a decisive role as stimulants of processes of structural change: Regional Development Agencies (in those places where they exist), and Regional Policy Departments of Province Administrative Offices (although in some provinces they do not seem to show enough interest in structural transformations).

At the local level, the most important institution is the local government, particularly when it comes to handling social conflicts arising in connection with structural transformations.

Three significant observations can be made in connection with the matters in hand:

First, there is a conspicuous lack of institutions coordinating restructuring processes at the province level. This is the case even with provinces which do have strategies for economic development. It appears that the units of public administration best suited legally and instrumentally to perform this task are Regional Policy Departments. Among non-government institutions, this role is best assigned to of Regional Development Agencies, and on the local level - to local government structures.

Second, the network of links between the institutions under investigation is underdeveloped. The task of crucial importance in this respect is, of course, cooperation in the pursuit of the adopted goals. Weakness of the network links is a consequence of a number of circumstances, not the least important of which is, unfortunately, competition (understood in negative terms) for domination in a given area of activity and the access to funds that such domination entails. The survey indicates that person-to-person contacts are the only significant form of links between organizations.

Third, one observes an incompatibility of interests and incongruous perception of the arising problems within the configuration made up by the state administration, local-government administration and

other institutions, either private, or public. Under the circumstances, it is becoming difficult to reach a consensus on the desired course of transformations and activate the factors that trigger the expected changes. In some cases, the efficiency of the institutional system is also adversely affected by the fact that major urban centres within a province refuse to cooperate on problems common to the entire region.

The impact of the institutional system on the processes of development and structural change at the province level should be seen in two dimensions. The first aspect is connected with the immediate effects of concrete measures, observable even over very brief time spans. For example, one can organize an event to promote the special qualities of the region, the directly measurable effect of which is the interest it has generated. Likewise, one can hold a seminar to instruct the interested actors about problems involved in undertaking economic activity.

The second dimension has to do with the expected effects, which are, to be sure, a consequence of the immediate effects, but neither their scale nor their timing can in fact be predicted. One could ask, for instance, to what extent the seminar proposed above will boost the entrepreneurial spirit in the region and when this effect is to be expected. It is easy to see that effects of this type are the main manifestation of the institutional influence on processes of province-level development and restructuring, but on the other hand, a temporal distance is required to observe them, as there exists an objective time lag between actions and their effects. To clarify this fundamental problem in an unequivocal way, one needs to observe the relationship between the functioning of the institutional system and the processes of development and structural change over a longer period. Unfortunately, no such observational data are available as yet in the case of most of the institutions in question. Therefore, in view of the incompleteness of the information, one should exercise utmost caution in formulating conclusions about the role of the institutional system in the restructuring processes.

The analysis leads to the following final conclusions:

First of all, there exists an observable correlation between the degree of advancement of restructuring processes at the province level and the development of the relevant institutional structures. This regularity holds regardless of how advanced a given entity is in terms of progress of the restructuring processes. It is, therefore, a plausible hypothesis that the institutional configuration is an important determinant

of the restructuring processes at the province level. The positive feedback can be represented by means of the following diagram:



This general conclusion can be supplemented with a number of detailed observations, such as:

- provinces at a higher stage of development are characterized by a greater diversity of institutions;
- in provinces that rank higher on the development scale and, consequently, have reached a more advanced phase of the restructuring process, a rich institutional structure is the initiating element in the chain of dependencies shown above. It functions as an important stimulant of real-sphere processes in the regional economic system, which leads to a gradual modernization of its internal structure;
- the relationship in question takes a different form in economically poorly developed provinces, where structural transformations lag behind. The institutional configurations that exist there, on a limited scale, concentrate on defensive action, whose real aim (regardless of the statutory functions of the organizations) consists in: at best, prevention of negative structural changes - a task which is difficult to achieve, given the weak potential available; usually, preservation of the existing economic relationships, which leads directly to the retrogression of the economic structure in some provinces;
- the opposing tendencies described above result in mounting structural differences between provinces, which in turn increase the gap between provinces positively and negatively evaluated from the point of view of their economic structure;
- one should take notice of a certain inaccuracy in the assessment of the economic system of the Nowy Sącz province (concerning mainly its level of development, but also, indirectly, the potential for structural transformation), due to the

considerable extra income, not reflected in the present survey, received by the inhabitants in the form of domestic and foreign transfers.

Secondly, a high advancement level of the restructuring processes clearly correlates with the existence of a Regional Development Agency in the given province. In more highly developed provinces, such Agencies were usually established earlier and search for new areas of activity with greater energy.

Thirdly, the measures initiated by particular institutions allow one at the moment to observe only their direct consequences. In the future, however, their indirect effects will affect the observable course of structural economic transformations in the provinces.

IV. General Conclusions and Recommendations for the Economic Policy

The analytical material presented in the report and the generalizations arrived at on its basis allow us to formulate the following conclusions and recommendations:

1. The transformation process presents tremendous challenges and problems for regional policy to cope with. It is a time when the differences between regions inevitably grow, while no adequate instruments and institution exist for the neutralization of the negative consequences of that phenomenon. The complexity and importance of the problem have not as yet been handled appropriately at the conceptual level, either. Market transformations are an acid test of the value of various resources and skills that have been accumulated in particular regions during the process of economic adaptation to the conditions of a competitive market. Under the circumstances, those regions which lack adequate resources or the capability to utilize them generate bottom-up pressure to create and put into operation centralized mechanisms of interregional distribution. The adoption of such a philosophy of regional policy would in practice impede market transformations, favour economic etatism, and limit the room for self-government and entrepreneurship.

2. In view of the above, we are very cautious about the idea of establishing at the central level a leading agent of regional policy. Instead, we suggest that it is necessary to develop a complex yet coherent system of agents involved in regional restructuring, which is especially needed at the intermediate, regional and local levels. The system should include central-level institutions, too, but their main function should be to assist intermediate-level institutions, rather than to give them directions or take their place. In the future, problems of regional policy should be handled at the central level first of all by the Ministry of the Economy; they ought to be closely connected with the Ministry's regulatory functions oriented towards making the economy internationally competitive. As economy becomes increasingly global in character, increasing the competitiveness of particular regions of Poland will be an important element of that task. The policy of the Ministry of the Economy in this field will have to be well coordinated with the ministries responsible for the environment, infrastructure, treasury, public finance, and many other offices and agencies. Accordingly, we link the chances for an efficient regional policy with the reform of the economic centre of the government.

3. The second indispensable condition for the implementation of the idea of a regional policy outlined above is an appropriate administrative reform combined with a reform of public finance. The necessity for such a combination is obvious, if not always sufficiently emphasized, because in order to function as a genuinely independent agent, the local government needs not only to have a certain range of authority delegated to it, but must also stand on a firm financial footing and enjoy financial autonomy.

4. It should, therefore, be stressed that sustained efforts are necessary to reinforce the autonomy of regional structures. The lack of region-level self-government means that the public administration at that level is unable to perform efficiently the role of one of the main actors of regional restructuring. Owing to the nonexistence of the institution of regional (province) budgets, most of the regional problems are addressed directly to the central agencies. And the lack of elective representative bodies at that level means that the regional communities cannot exercise sufficient control of the administration, which leads to alienation of the state administration system at the province level.

5. The implementation of the systemic changes indicated above will create a suitable framework for regional and local agents to generate strategies of restructuring and economic development appropriate for their regions. Moreover, the central-level agents will be able to concentrate on gradual removal of the general and specific barriers that impede restructuring (among others, those mentioned in the previous section). It goes without saying that such barriers can and should be eliminated even under the systemic arrangements currently in force.

6. The right course of action should, therefore, be to extricate regional policy from the redistributive scheme based on discretionary exemptions and allowances for selected economic units, combined with a limited-scale decentralization of competence (or responsibility). The conception of "restructuring with the participation of the state" developed in the present report does not imply the state's passive role. Far from it. The state should acquire and develop the capacity to deliberately support regional restructuring processes in a way subordinated to the general economic strategy. The instruments of such a regional policy include, apart from appropriate systemic changes and macroeconomic regulation, the organization of the national infrastructure (transportation network, border crossings, principal power lines etc.) and participation, in accordance with relevant agreements, in the implementation of regional restructuring programmes, understood as a means to organize

the regional populations for constructive action, and not as lists of demands addressed to the central-level authorities.

7. The present report does not question the need and necessity of initiating mechanisms, including financial ones, for the support of restructuring processes utilizing public funds. However, the restructuring measures proposed in the regions under study are usually highly traditional and boil down to government investment. Only seldom is the possibility mentioned of joint financing of restructuring projects from various sources. Such overlooked opportunities include partnership between the public and private systems. Another factor which passes unnoticed is the importance of cooperation between the central, regional and local systems.

8. The notion of joint financing has two crucial elements which should be brought to the fore. First of all, this is the right way to raise capital for institutions needed to implement the regional strategy, as it not only allows such institutions to be established, but also provides a credible mechanism for the control of their performance. This will ensure the fulfilment of their statutory functions and prevent them from becoming autonomous. Secondly, joint financing must also be used in the case of concrete projects that the institutions undertake. The point is to subordinate the projects to the objectives of the regional strategy, while simultaneously attracting new partners, interested in the commercial aspects of the undertaking.

9. It is necessary to combine the liquidation/transformation approach and the development approach in processes of regional restructuring. Under the conditions of the transformation it is vital to reorganize the existing structure while simultaneously enriching it with new elements, typical of the market economy. Maintaining a socially acceptable proportion between the two approaches is not always possible on the basis of the endogenous potential of economically weak regions.

10. Another necessary type of activity consists in fostering the formation and development of regional bodies (at the level of the province) in which all the institutions important for regional restructuring would be represented. The existence of such bodies significantly facilitates information exchange between particular actors and helps them reach a consensus about priorities. In many regions, forums of that type have already been established. In some provinces, however, internal conflicts within various groups effectively prevent their formation. Establishment of this kind of bodies should be a priority of the regional policy of the state.

11. It is necessary to vary the instruments of the state's regional policy. In regions which are at the forefront of systemic transformations, the rich network of institutions and the success of structural reforms mutually condition and reinforce each other. Unfortunately, in many regions negative structural adjustment takes place, which occurs within an atomistic institutional model. An additional problem stems from the clearly peripheral character of most of the border regions. Overcoming that syndrome will require the development of trans-border cooperation and of technical infrastructure, as well as state support for the formation of institutional infrastructure for regional restructuring in problem areas. Systemic reforms are threatened by the model of regional development observed in Third World countries, with sporadic islands of success in an otherwise stagnant or sagging economy.

12. The experience gained so far suggests that regional development agencies should be treated as the principal agent of regional restructuring and need, therefore, adequate financing from public funds so as to be able to perform efficiently their functions connected with the market transformation. In the first years of the reform, a large proportion of agencies, foundations, and other institutions stimulating business activity, have taken advantage of financial aid as the principal source of funds. This means that many of them will be forced to discontinue or scale down their activities in the years to come, as in some cases, financial aid was provided only at the very outset, and in others, it is offered for a limited period only.

13. The establishment and development of institutions which create an economic environment favourable for business activity should be given constant support. In particular, this concerns specialized regional and local financial institutions, which provide capital for small and medium-size businesses (also for increased-risk investments - so-called venture capital) and handle the financial side of local projects connected with the infrastructure. They are of special importance in problem regions, as the lack of such institutions hinders the expansion of small and medium-size business.

Appendix

Figure 1

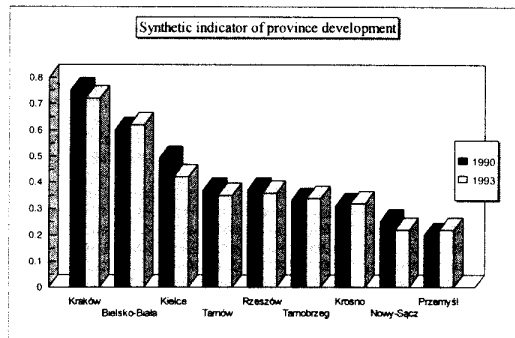


Figure 2

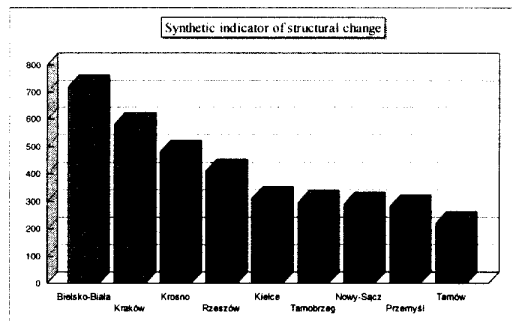


Table I
Specificity of the provinces under study

Province	1	2	3	4	5	6	7	8
Bielsko-Biala	1.18	2.37	246	29.7	24.0	40.1	2.6	12.0
Kielce	2.95	2.95	123	19.1	43.0	33.3	4.6	17.4
Kraków	1.04	3.21	380	19.8	20.3	49.7	3.0	8.6
Krosno	1.82	1.31	88	20.6	40.9	32.0	3.3	17.8
Nowy Sącz	1.78	1.87	129	13.4	50.7	31.6	3.5	13.9
Przemyśl	1.42	1.07	93	16.0	46.2	33.5	3.8	19.1
Rzeszów	1.41	1.92	168	21.2	40.0	33.2	3.3	18.1
Tarnobrzeg	2.01	1.58	97	19.7	50.4	25.6	4.5	15.2
Tarnów	1.33	1.78	166	18.6	47.9	29.6	3.5	13.6
Total	14.9	18.1	148	20.1	38.5	35.6	3.7	14.6
Poland	100.0	100.0	123	24.4	26.5	42.8	6.3	16.2

Source: Own calculation based on the Central Statistical Office (GUS) data.

Legend:

1. Percentage of the country's area.
2. Percentage of the country's population.
3. Population density (inhabitants per sq km).
4. Employment in industry as percentage of total employment.
5. Employment in agriculture as percentage of total employment.
6. Employment in the Third Sector as percentage of total employment.
7. Average size of a farm (ha).
8. Unemployment rate (as of the third quarter of 1994).

Table 2
*Synthetic measures of the level of development of the nine provinces
in 1990 and 1993*

Province	$d_{i, 1990}$	Province	$d_{i, 1993}$	Province	$d_{j, 1993}$
1	2	3	4	5	6
Kraków	0.762	Kraków	0.743	Kraków	0.781
Bielsko-Biala	0.603	Bielsko-Biala	0.621	Bielsko-Biala	0.615
Kielce	0.489	Kielce	0.416	Kielce	0.409
Tarnów	0.381	Rzeszów	0.362	Rzeszów	0.377
Rzeszów	0.379	Tarnów	0.355	Tarnów	0.376
Tarnobrzeg	0.339	Tarnobrzeg	0.352	Tarnobrzeg	0.353
Krosno	0.304	Krosno	0.316	Krosno	0.317
Nowy Sącz	0.263	Przemyśl	0.248	Przemyśl	0.248
Przemyśl	0.205	Nowy Sącz	0.246	Nowy Sącz	0.245

Source: Own calculation.

Table 3
Synthetic measures of structural change in the years 1990-1993

Province	d_{ii}
Bielsko-Biala	0.720
Kraków	0.534
Krosno	0.469
Rzeszów	0.448
Kielce	0.319
Przemyśl	0.301
Tarnobrzeg	0.294
Tarnów	0.253
Nowy Sącz	0.247

Source: Own calculation.

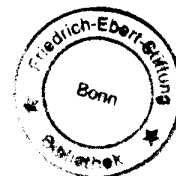


Table 4
Characteristics of the agencies of regional development under study

Item no.	Location	Period of functioning (months)	Legal status	Initiating body(ies)	Equity capital (bln. old zlotys)	Main shareholders
1	BIELSKO-BIALA	29	joint-stock co.	governor	6.0	governor, ARP*, BPH**
2	KIELCE	23	joint-stock co.	governor, enterprises	2.8	PB-U PIASECKI, governor, EXBID, MiG Końskie
3	STARACHOWICE	25	foundation	City Adm. Office	0.1	City Adm. Office, Cooperation Fund
4	KRAKÓW	21	joint-stock co.	governor	37.9	governor
5	USTRZYKI DOLNE	10	joint-stock co.	Commune Association, Cooperation Fund	1.0	communes, Cooperation Fund
6	MIELEC	34	joint-stock co.	WSK, ARP*, commune	3.7	WSK, ARP*, commune
7	RZESZÓW	18	joint-stock co.	governor	9.2	governor, Province Environment Protection and Water Resources Fund
8	TARNOBRZEG	22	joint-stock co.	governor, commune	3.7	governor, commune

* Industry Development Agency

** Bank Przemyslowo-Handlowy

Principal types of activity	Access to financial aid (on a 1 to 5 scale)	Territorial range of activity	Housing conditions	Technical resources	Number of employees
economic, training, promotion	4	international, regional	very good	very good	11
economic, training, promotion	3	regional, international, national	good	very good	9
socio-economic, loans and financial aid	4	regional, local	good	good	3
economic	2	international, national, regional	excellent	excellent	12
loans and financial aid, socio-economic	4	regional, local	good	basic	5
loans and financial aid, economic	5	regional, local	excellent	excellent	26
loans and financial aid	5	regional, local	excellent	excellent	80
economic	1	regional, local	very good	very good	12

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