

Cohesion Policy Impact on Lagging Behind Areas Development: case of Poland.

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Key Question

There is a widespread notion throughout EU that Cohesion Policy and accession lead to overall economic modernization and development. After 5 years of accession this notion can be at least partly questioned:

Accession and cohesion policy have had impact on growth rather than structural change and long term foundations of development

Topics

- Cohesion Policy impact measuring and contemporary growth factors
Cohesion Policy
- Success stories of development
- Case of Poland: between growth and development?

How Cohesion Policy impact is measured?

- Econometric modelling: impact on income, unemployment etc.
- Synthetic analysis
- Structural indices: change of economic structures; modernization

Development factors: an overview

- Innovative systems (Cooke 2005)
- Creative class, 3T (Florida 2003)
- Flows, networks (Castells 2008; Porter 2001; Blakely, Bradshaw 2002)
- Innovation friendly environment (Camagni 1991; Caalders 2004)
- Institutional system (Keating et al. 2003; Amin, Thrift 2000)
- Culture (Landes 2005; Harrison, Huntington 2003)
- Social capital (Coleman 1988, Putnam 2000)
- Human capital...

Hard infrastructure: only if of strategic character and with clear, direct influence on GDP and employment creation.
Remember Appalachian Region and former GDR:
concentration on infrastructure did not stimulate development.

Lagging behind countries (LBCs) and successful development

Cohesion Policy is often considered as a main development driver in LBCs.

- Ireland: in less than 20 years GDP increase from 68% to 140% of the European average (120 in crisis). Growth can not be explained by Cohesion Policy: decisive role played by structural change oriented makroeconomic policy. Share of hard infrastructure in Cohesion Policy spending in Ireland in 90. and part of 00: less than 30% (EUROSTAT 2008, Grosse 2004).
- Greece: GDP increase from 63% to ca 90% of the EU GDP average. Labil macroeconomic policy. Share of infrastructure spending in Cohesion Policy in Greece: ca 70%. (ibidem)

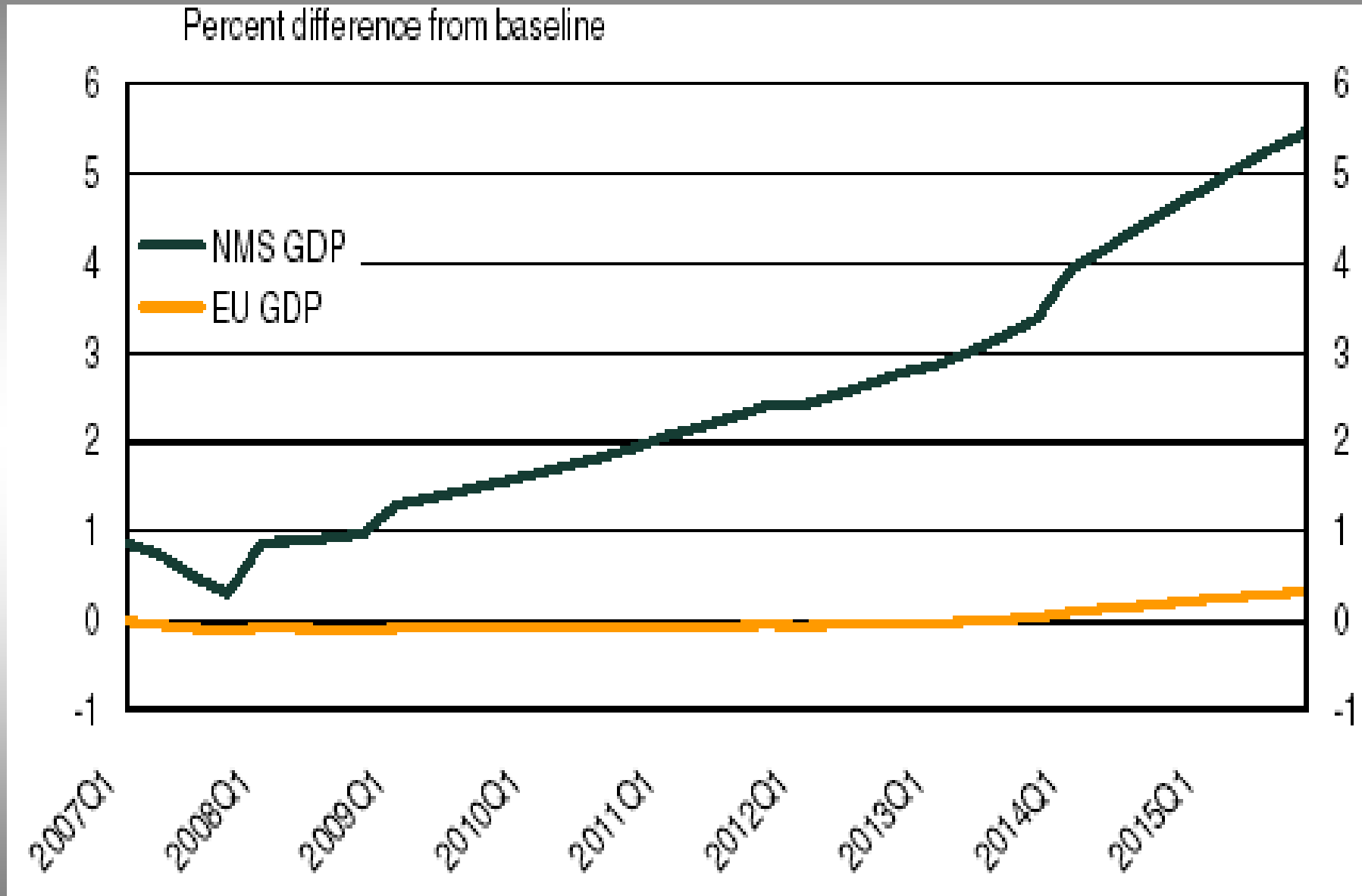
Econometric models: EU 15 structural funds' impact on selected countries

On institutional quality		On corruption		Economy openness	
Greece	-1,58	Greece	-1,56	Italy	- 2,90
Spain	-0,31	Italy	- 1,43	France	- 2,84
Portugal	- 0,16	Belgium	- 0,33	Germany	- 2,55
Italy	- 0,20	Portugal	- 0.31	Spain	- 2,25
.....					
Denmark	2,01	Netherlands	2,14	Netherlands	0,76
Belgium	2,03	Sweden	2,35	Ireland	0,93
Netherlands	2,17	Denmark	2,93	Belgium	1,84
Luxembourg	2,30	Finland	3,32	Luxembourg	3,53

Source: Ederveen et al., 2006, Fertile soil..., Kyklos vol. 59, table 3

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EU Cohesion policy 2007+, model QUEST



Other findings

Boldrin et Canova: regional and structural policies serve rather redistribution than development (2001, in: Economic Policy, no 16)

Rodriguez-Pose et Fratesi: 1. weak, but positive influence of structural funds on regional development; 2. excessive infrastructural investments in less developed regions is one of reasons of their underdevelopment (2004, in: Studia Reg. i Lokalne, nr 3)

Kok report: Countries which had put more emphasis on human capital and social development may have benefited more from the European financial assistance. (2004: 9)

3 i 4 Cohesion reports: overall positive influence on regional development (not without weak points)(2004 i 2007)

Synthetic evaluation of Cohesion Policy

- Effectiveness:
 - appropriateness: satisfactory
 - effectiveness: „..it is plausible that the policy is effective although there is not yet firm proof.”
- Efficiency: entails high costs
- Side objectives (integration): positive

Source: W. Molle, European Cohesion Policy, 2007: 253

Poland: expected impact on GDP growth (2005)

HERMIN

Empirical hybrid model

prognosis of GDP growth (in %)

No NSRF

with NSRF

no NSRF

with NSRF

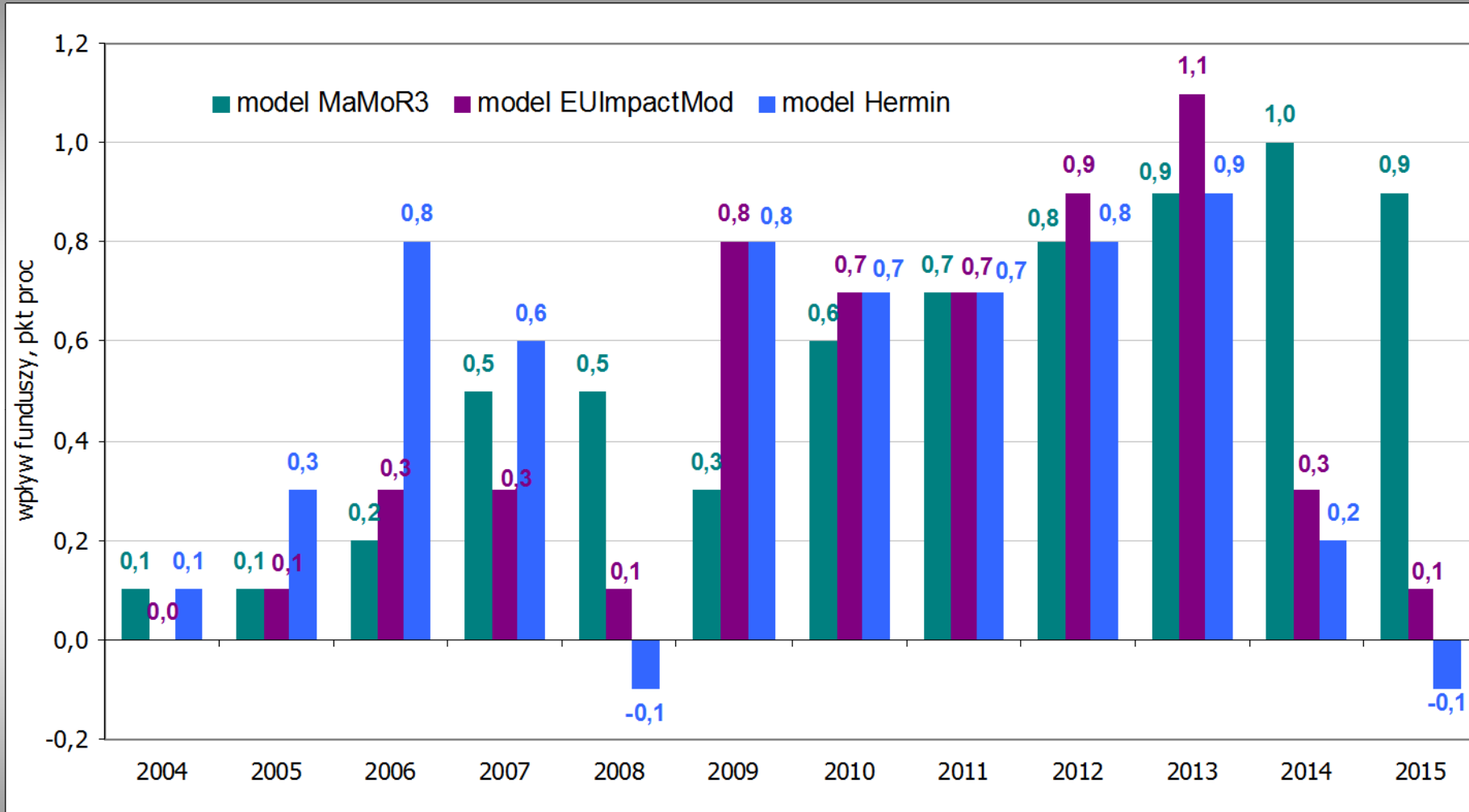
2006	6,57	6,57	4,90	5,10
2007	5,38	5,59	5,00	5,21
2008	5,40	6,21	4,30	4,75
2009	4,03	5,62	3,90	5,30
2010	4,07	6,98	4,10	5,81
2011	4,06	5,97	4,20	5,16
2012	4,11	5,94	4,60	5,47
2013	4,17	6,56	4,40	5,18

SOURCE: Poland's NSRF 2006:36 (Polish language version)

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Ex-post evaluation of NDP 2004-2006 – macroeconomic impact (1)

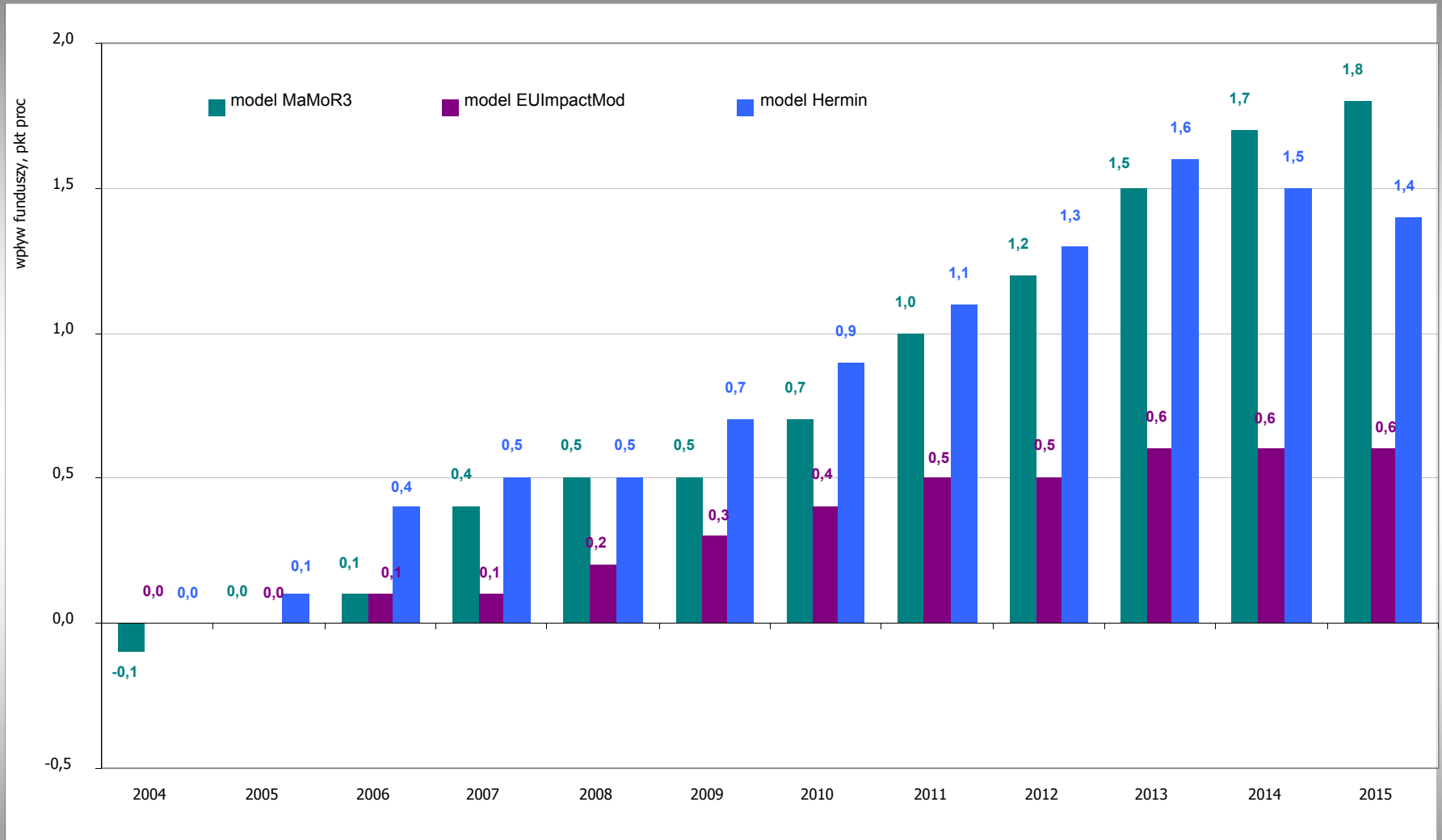
Influence of EU funds on GDP growth (fixed price, previous year=100), in p.p.



Source: MRD, ppt presentation, January 2010

Ex-post evaluation of NDP 2004-2006 – macroeconomic impact (2)

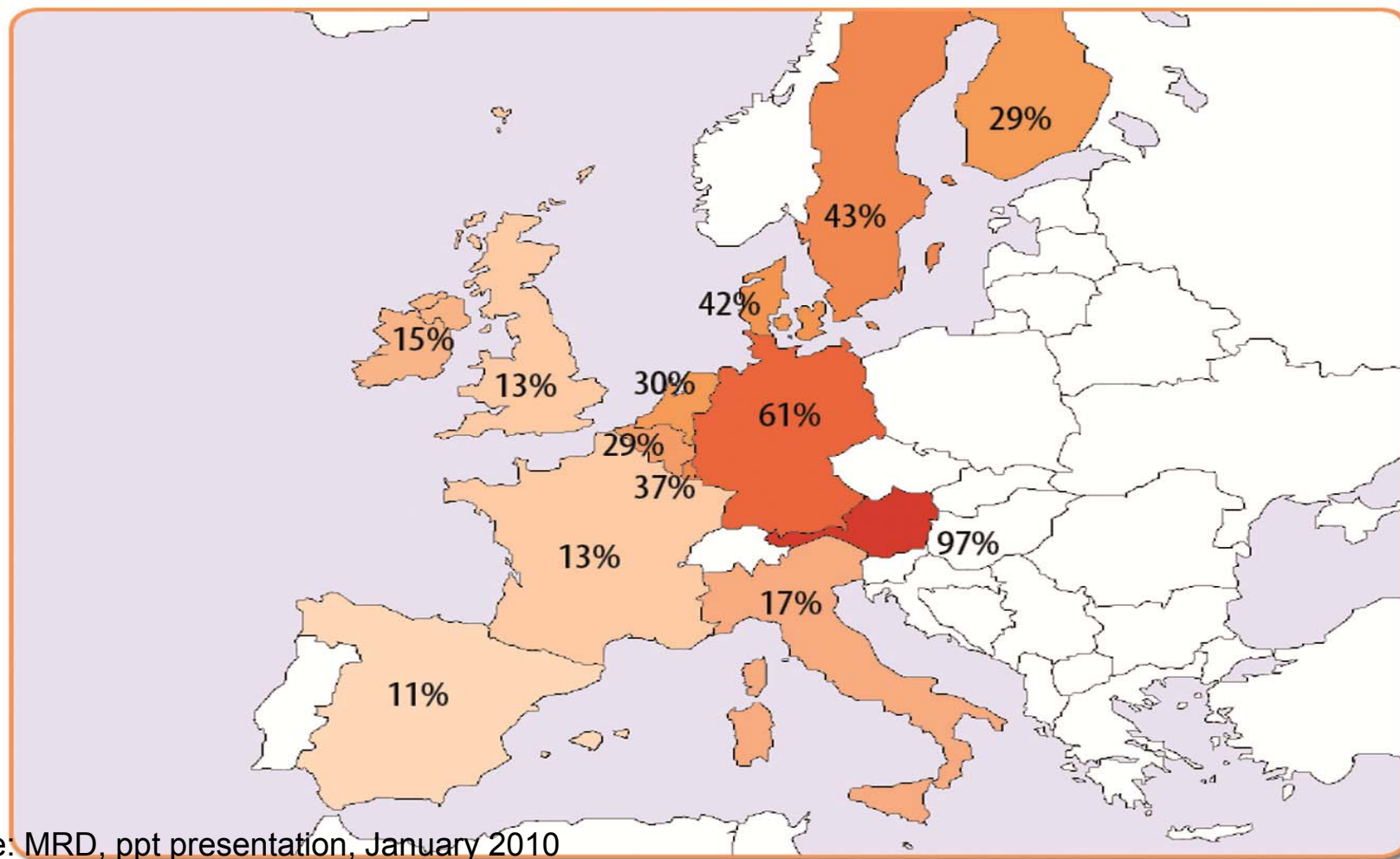
Influence of EU funds on employment (growth in pp)



Source: MRD, ppt presentation, January 2010

Ex-post evaluation of NDP 2004-2006 – benefits of EU-15 countries stemming from Cohesion Policy in Poland

Increase of export in EU-15 countries due to Cohesion Policy implemented in Poland as a per cent of contribution of individual countries to the budget of Cohesion Policy in Poland (net)



Source: MRD, ppt presentation, January 2010

Structural indices: supply side

- Cohesion policy expenditure structure in Poland planned for 2007-2013 similar to the one planned for 2004-2006: technical infrastructure 59%; productive environment 26% and HRD 15%.
- Realised expenditure structure in 2004-2007: basic infrastructure 70,0%, productive sector 16,0%, HRD 14,0% (Source: MRD, Rozwój..., 2009:168)
- Earmarking in ALL OPs: 64% (more than required); in regional OPs – 40% on average.
- Assessment of expenditure on technical infrastructure: high level of territorial dispersion, domination by projects of local significance serving rather quality of life than creation of jobs and income. In poorest regions 70-90% of cohesion money spent on basic infrastructure (Source: MRD, Ocena..., 2008: 128)

Cohesion Policy in Poland

- **Quantitative:** in 2007 equal to 35% of all public structural expenditure in Poland (MRD, Raport..., 2010: 22).
- **Qualitative:** difficult to assess fully. EU ex-post evaluation and research done in Poland suggest positive impact on governance (monitoring, reporting, evaluation, MLG, partnership principle, overall institutional culture). Trickle-down? What scope?

Structural indices (CSO Poland)

Share of services in GVA creation, %

2004 64,3 2008 64,3

Share of industry in GVA * **2003 28,7 2006 30,2**

Hi-tech in exports, % **n.a. 2006* * 3.1**

Agriculture employment, % **2004 18,0 2007 15,0**

R&D spending as GDP % * * * **2004 0,56 2007 0.57**

Share of farms under 5 ha **2000 71,2 2005 72,4**

Social capital (propensity to trust others), % * *

2003 10,5 2007 11,5

Sources other than CSO

*MRD, *Rozwój regionalny...*, 2009:34

** (http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-09-025/EN/KS-SF-09-025-EN.PDF)

*** MRD, Raport..., 2010: 179

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Other indices

GDP pc (ppp, bn PLN): *	2004 : 884,7	2008: 1271
GDP dynamics 2007/2000: *	131,8%	
GDP pc as % of EU average **: 2003	49,1	2007 54,7
University level Students per 1000 inh.: *	56,2	in 2005/2006
Employment rate (%) ***	2004 64,0	2008 63,8
Productivity per 1 employed: ***	2004 61,5	2006 61,2
Life-long learning 2004/2008 ***		minus 0,3
No of agricultural holdings (in th.) ***	2003 2172	2007 2391
Competitive position of Poland: ****	2001: 41	2009: 46

Sources:

* GUS, Mały rocznik statystyczny 2009

** MRD, Fundusze unijne a zróżnicowanie reg. Kraju., 2008

*** MRD, Raport..., Załącznik, 2010

**** WEF, 2009

Development paradox

- GDP growth high despite lack of structural change and position among least developed EU MS
- Successful coping with the crisis (no recession)
- level of happiness among the EU highest

Conclusions. Poland

- Effects of Cohesion Policy difficult to assess, though GDP growth unquestionable
- Depending on assumptions adopted econometric models bring different results (from little to modest positive effects)
- Proposed assessment based on data on structural change in Poland suggests that in the short run (after accession) change is next to invisible in terms of creating foundations of long-term development (yet?)

Conclusions 2

- Most researchers agree that the condition of key importance is the quality of the institutional system on the recipient side
- Equally important in Poland's case seems to be the ability to coordinate other EU and national policies. Particularly agriculture and rural areas oriented policies bring often conflicting results thus reducing or disturbing Cohesion Policy impact

**Thank you,
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